

APPALACHIAN COUNCIL AND WORKING FOR AMERICA INSTITUTE

HEARING BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE ONE HUNDRED EIGHTH CONGRESS SECOND SESSION

SPECIAL HEARING
JULY 22, 2004—WASHINGTON, DC

Printed for the use of the Committee on Appropriations



Available via the World Wide Web: <http://www.access.gpo.gov/congress/senate>

U.S. GOVERNMENT PRINTING OFFICE

95-487 PDF

WASHINGTON : 2004

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2250 Mail: Stop SSOP, Washington, DC 20402-0001

COMMITTEE ON APPROPRIATIONS

TED STEVENS, Alaska, *Chairman*

THAD COCHRAN, Mississippi	ROBERT C. BYRD, West Virginia
ARLEN SPECTER, Pennsylvania	DANIEL K. INOUE, Hawaii
PETE V. DOMENICI, New Mexico	ERNEST F. HOLLINGS, South Carolina
CHRISTOPHER S. BOND, Missouri	PATRICK J. LEAHY, Vermont
MITCH McCONNELL, Kentucky	TOM HARKIN, Iowa
CONRAD BURNS, Montana	BARBARA A. MIKULSKI, Maryland
RICHARD C. SHELBY, Alabama	HARRY REID, Nevada
JUDD GREGG, New Hampshire	HERB KOHL, Wisconsin
ROBERT F. BENNETT, Utah	PATTY MURRAY, Washington
BEN NIGHTHORSE CAMPBELL, Colorado	BYRON L. DORGAN, North Dakota
LARRY CRAIG, Idaho	DIANNE FEINSTEIN, California
KAY BAILEY HUTCHISON, Texas	RICHARD J. DURBIN, Illinois
MIKE DEWINE, Ohio	TIM JOHNSON, South Dakota
SAM BROWNBACK, Kansas	MARY L. LANDRIEU, Louisiana

JAMES W. MORHARD, *Staff Director*
LISA SUTHERLAND, *Deputy Staff Director*
TERRENCE E. SAUVAIN, *Minority Staff Director*

SUBCOMMITTEE ON DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES

ARLEN SPECTER, Pennsylvania, *Chairman*

THAD COCHRAN, Mississippi	TOM HARKIN, Iowa
JUDD GREGG, New Hampshire	ERNEST F. HOLLINGS, South Carolina
LARRY CRAIG, Idaho	DANIEL K. INOUE, Hawaii
KAY BAILEY HUTCHISON, Texas	HARRY REID, Nevada
TED STEVENS, Alaska	HERB KOHL, Wisconsin
MIKE DEWINE, Ohio	PATTY MURRAY, Washington
RICHARD C. SHELBY, Alabama	MARY L. LANDRIEU, Louisiana
	ROBERT C. BYRD, West Virginia (Ex officio)

Professional Staff

BETTILOU TAYLOR
JIM SOURWINE
MARK LAISCH
SUDIP SHRIKANT PARIKH
CANDICE ROGERS
ELLEN MURRAY (*Minority*)
ERIK FATEMI (*Minority*)
ADRIENNE HALLETT (*Minority*)

Administrative Support

CAROLE GEAGLEY

CONTENTS

	Page
Opening statement of Senator Arlen Specter	1
Statement of Hon. Thomas Dowd, Deputy Assistant Secretary of Labor, Em-	
ployment and Training Administration, Department of Labor	3
Prepared statement	6
Statement of Hon. Bobby Baker, mayor, Batesville, MS	31
Prepared statement	32
Statement of Jim Bowen, president, West Virginia AFL-CIO	32
Prepared statement	34
Statement of Gary Darlington, executive director, Appalachian Council	35
Prepared statement	37
Statement of William M. George, president, Pennsylvania AFL-CIO	38
Prepared statement	40
Summary statement of Nancy Mills	43
Statement of Herbert Mabry, chairman emeritus, Appalachian Council	44
Prepared statement	46
Summary statement of William Burga	47
Prepared statement of Senator Robert C. Byrd	50
Questions submitted by Senator Robert C. Byrd	53

APPALACHIAN COUNCIL AND WORKING FOR AMERICA INSTITUTE

THURSDAY, JULY 22, 2004

U.S. SENATE,
SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN
SERVICES, AND EDUCATION, AND RELATED AGENCIES,
COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:36 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Arlen Specter (chairman) presiding.
Present: Senator Specter.

OPENING STATEMENT OF SENATOR ARLEN SPECTER

Senator SPECTER. Good morning, ladies and gentlemen. The Appropriations Subcommittee on Labor, Health and Human Services, and Education will now proceed.

The hearing this morning is on the Appalachian Council and Working for America Institute.

The AFL-CIO Appalachian Council has, for nearly 40 years, contracted with the Department of Labor to provide services for Job Corps students. Its current contract expired on April 30th of this year. At the time of the termination, the annual budget of \$3,900,000 was allocated \$1,700,000 for vocational training, and \$2,200,000 for career transitional service support to help Job Corps students acquire jobs.

There is very considerable interest by this subcommittee and the Appropriations Committee generally and, for that matter, the entire Congress on these Job Corps centers, but especially because one Job Corps center is in Pittsburgh, another is in Charleston, West Virginia, and I know that Senator Byrd, the ranking member of the full committee, is very concerned about that. There is another Job Corps center in Batesville, Mississippi.

I would note that Senator Cochran is both a member of this subcommittee and with Senator Stevens rotating off on term limits from the chairmanship of the committee, Senator Cochran is in line to be chairman of the committee next year.

I know of the work of the Job Corps center in Pittsburgh personally, having visited it on many occasions. I recollect going there with Senator Heinz in the early 1980's shortly after I was elected to the Senate and noting how important that work was.

When you talk about Job Corps, obviously we are talking about some of the neediest of individuals who are not in the college ranks or the Ph.D. or the professional ranks, but are looking for jobs. In a sputtering economy, I think we are on the way back, but we still

have problems, frankly especially in southwestern Pennsylvania in our State. There are some pockets where there are major, major problems.

I would be less than candid if I did not say that I was concerned about the activities of the Department of Labor here. As soon as I found out about the matter, I wrote to Secretary of Labor Chao on March 3. We will have a copy of this letter put in the record. [The letter follows:]

U.S. SENATE,
Washington, DC, March 3, 2004.

Hon. ELAINE CHAO,
Secretary, U.S. Department of Labor, 200 Constitution Avenue, NW, Washington, DC.

DEAR MADAME SECRETARY: I am writing to you concerning your Department's recent decision to not award a new contract to the Appalachian Council-AFL/CIO, following the expiration of the current contract (E-7056-9-00-82-30).

The Appalachian Council is a nationally recognized provider of education and training services, and has served the employment needs of our Nation for nearly 40 years. This outstanding organization provides training for youth at three vocational training sites—including the Pittsburgh Job Corps Center—as well as enhanced job development and other placement services for Job Corps graduates throughout the United States.

I am troubled by the adverse impact discontinuation of this contract will have on our ability to effectively train Job Corps students, and accordingly, strongly urge you to renew the contract with the Appalachian Council.

Thank you for your personal attention to this matter.

My best.

Sincerely,

ARLEN SPECTER.

Senator SPECTER. I put a personal note on it to her noting it is a very good program and very important to me. I received a reply from Ms. Emily DeRocco, Assistant Secretary of Labor for Employment and Training, informing me that the contract would expire on April 30, just 2 days later, and would not be renewed. I think that this subcommittee and the chairman are entitled to a little more consideration than that.

I wrote to Secretary Chao again on March 31 of this year, and I will put a copy of that letter in the record. I will also put a copy of the letter from Secretary DeRocco dated April 28 into the record and a copy of my letter to Secretary Chao dated March 31 in support of the application of the AFL-CIO Working for America Institute to continue its work for the program year July 1, 2004 through June 30, 2005, and I have not yet received a reply.

[The letters follow:]

U.S. SENATE,
Washington, DC, March 31, 2004.

Hon. ELAINE CHAO,
Secretary, U.S. Department of Labor, 200 Constitution Avenue, NW, Washington, DC.

DEAR MADAME SECRETARY: Last spring I wrote to you on behalf of the AFL-CIO Working for America Institute. At that time, the Institute was awaiting a decision on a grant proposal to continue their work in establishing labor-management partnerships in key industry sectors and to provide training and technical assistance to labor representatives who serve on state and local Workforce Investment Boards (WIBs).

While I was disappointed that the Institute's sectoral work was not funded—especially as it included a manufacturing partnership in southwest Pennsylvania—I was appreciative of the Department's decision to continue to fund the Institute's program of support for WIB Labor Representatives. As you noted in your July 2003 announcement of the grant, organized labor is a statutory stakeholder in the public

workforce investment system and their input is important to the effective functioning of the system at the state and local level. I know that to be the case in Pennsylvania, and the labor representatives of our state value the training and technical assistance provided by the Institute.

I understand that the scope of work for the current grant focused heavily on the role of labor representatives and other union workforce practitioners in implementing the expected changes in the Workforce Investment Act (WIA). Action on that legislation has not been completed, as the House-Senate conference has yet to be scheduled. Nevertheless, there is a great deal of agreement on many changes to the WIA system, and upcoming training sessions scheduled by the Institute will go a long way toward preparing labor representatives to play an active role in system improvements. I expect a large contingent of labor representatives from Pennsylvania will participate in the East Coast training session in New York City in May.

I also understand that the Institute has submitted a proposal to continue their work in Program Year 2004. I wanted to let you know of my strong support for that proposal and I trust that you share the recognition that the job you have entrusted to the Institute requires a continuation grant so that they can be active participants in the implementation of WIA statutory changes even if the reauthorization period extends into the next program year.

Thank you for your support of the fine work being done by the Working for America Institute and your continued support for American workers.

Sincerely,

ARLEN SPECTER.

U.S. DEPARTMENT OF LABOR,
ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING,
Washington, DC, April 28, 2004.

Hon. ARLEN SPECTER,
U.S. Senate, Washington, DC.

DEAR SENATOR SPECTER: Thank you for your letter on behalf of the Appalachian Council-AFL/CIO, regarding the expiration of the national contract effective April 30, 2004.

The circumstances which make it necessary to refrain from renewal of this contract are unfortunate. Despite ongoing remediation efforts by the Department of Labor's Employment and Training Administration, the delivery of services by the Appalachian Council has increasingly failed to meet the standard necessary to address the needs of those entrusted to the Job Corps program. An increasing number of youth assigned to the Appalachian Council for services have not been adequately trained or placed in jobs related to their training at sustainable wages.

Please be assured that measures have been undertaken to prevent interruption of services to students. Arrangements are being made for the provision of vocational training and job placement services at the Job Corps center.

If you have any questions, please don't hesitate to call me at (202) 693-2700.

Sincerely,

EMILY STOVER DEROCOCO.

Senator SPECTER. It is, candidly again, a little hard for this subcommittee to take the lead on funding the Department of Labor when the chairman of the subcommittee writes and does not get any response. That is just not the way the committee works within our branches of Government.

STATEMENT OF HON. THOMAS DOWD, DEPUTY ASSISTANT SECRETARY OF LABOR, EMPLOYMENT AND TRAINING ADMINISTRATION, DEPARTMENT OF LABOR

ACCOMPANIED BY RICHARD TRIGG, SAN FRANCISCO REGIONAL ADMINISTRATOR, EMPLOYMENT AND TRAINING ADMINISTRATION, DEPARTMENT OF LABOR

Senator SPECTER. With that brief introduction, we will turn now to our first witness, Deputy Assistant Secretary for Employment and Training, Mr. Thomas M. Dowd. Prior to Mr. Dowd's obtaining this position, he served as Director of Business Relations and Regional Administration for the Employment and Training Adminis-

tration in Philadelphia and had previously been a Peace Corps volunteer. He is a graduate of the University of New Mexico, and he will be accompanied by Mr. Richard Trigg, the ETA Regional Administrator in San Francisco and former National Director of Job Corps.

Welcome, Mr. Dowd. Our committee practice is to have a 5-minute opening statement. All formal statements will be made a part of the record, and that will leave us the maximum time for questions and answers. Please proceed.

Mr. DOWD. Mr. Chairman and members of the subcommittee, I have worked with the Department of Labor for 10 years and served as the Deputy Assistant Secretary of the Employment and Training Administration for the last 18 months.

I am pleased to have the opportunity to testify regarding the Department of Labor's past contract with the Appalachian Council to provide vocational training, job placement, and career transition services to Job Corps students and graduates. I would also like to discuss briefly the Department's past grants with the Working for America Institute which I will do at the end of my remarks.

APPALACHIAN COUNCIL

The Appalachian Council's contract was one of nine sole-source national vocational training contracts with unions, union-affiliated entities, and a national business organization. We refer to them as National Training Contractors, or NTCs.

Senator SPECTER. Mr. Dowd, Senator Thurmond was renowned for one of his comments to witnesses. He would always say, pull the machine a little closer. You are out of range of that. You have got it turned on all right. Even a little closer yet, Mr. Dowd.

Mr. DOWD. Thank you, sir.

Sole-source contracts are awarded without competitive bidding and are rare, making up approximately 4 percent of the Job Corps' operating budget. The overwhelming majority of Job Corps contracts are competitively bid through the solicitation and procurement process. The NTCs must meet the stringent requirements of the Federal Acquisition Regulations, or FAR, including the requirements that the services provided are available from only one responsible source and that the services result in positive outcomes and performance.

The NTC contracts have always been for 1 year with 4 option years. During 2003 and early 2004, as the NTC contractors were completing their fourth option year, the Department reviewed all NTC contracts to determine whether each contract still met the FAR sole-source procurement requirements and determined that the Appalachian Council contract no longer met the requirements.

The contract with the Appalachian Council had two distinct components: (1) placement and career transition services; and (2) training for students in a variety of trades at the three Job Corps centers.

The Workforce Investment Act, WIA, of 1998 and its implementing regulations require that continued services, including transition support and workplace counseling, be provided to all Job Corps students for 12 months following their graduation from the program. To meet this much broader post-training requirement, the

Job Corps began contracting for career transition services through the competitive procurement process.

Prior to WIA, the Appalachian Council was the sole provider of career transition services to Job Corps graduates. Currently, however, Job Corps has 87 contracts for career transition services with approximately 150 providers throughout the Nation providing those services. Therefore, the Council is no longer the only responsible source for career transition services and does not meet the FAR standards for sole-source procurement. However, the Appalachian Council is encouraged to compete, along with the other providers, to offer career transition services to Job Corps graduates.

With respect to the training portion of the Appalachian Council's contract, the Council's performance was overall unsatisfactory and consequently did not justify renewal. ETA closely monitors the performance of each training contractor. When performance levels are inadequate, we establish a 1-year probationary period during which we require the NTC to develop and implement a Program Improvement Plan. If meaningful performance improvement does not occur, the program is closed or training slots are reduced.

With regard to Appalachian Council's training programs, poor performance became evident in the last contract period, which began November 1, 1998. Over the past 4 years, 23 percent of the Appalachian Council's 22 vocational training programs were closed due to continued poor performance, as compared to approximately 10 percent of all other NTC programs.

By June 30, 2003, the Appalachian Council's last full operating year, they reported the lowest performance outcomes of all NTCs and center-operated vocational programs for the following major performance indicators: vocational program completers, placements, initial average hourly wage, and average hourly wage when placed in a job that is related to training.

We required the Council to develop a Program Improvement Plan to eliminate the identified weaknesses in the program in order to make it an effective training provider for Job Corps students. We determined that continuation of the poorly performing Appalachian Council contract is not in the best interest of Job Corps students.

At the Department of Labor, we believe that effectively managed programs result in better performance and that those programs that do not work must be strengthened or terminated. Even where we have had a long-term contractual relationship with service providers, if the activities are not producing results needed for the Nation's young people, the Government has an obligation to terminate ineffective contracts.

WORKING FOR AMERICA INSTITUTE

With regard to the Working for America Institute, ETA awarded a \$1 million grant to the organization for program year 2003 to continue providing training and technical assistance to labor representatives on State and local workforce investment boards. On March 5, 2004, ETA received an unsolicited proposal from the Working for America Institute seeking financial support to continue such activities.

We believe strongly that grants previously awarded to community-based organizations, business, and government associations,

and other organizations such as Working for America Institute, that focused on developing organizational relationships to promote workforce development are not the best use of limited resources at this time.

To help clarify our funding priorities, we have met with numerous representatives from nonprofit organizations and associations, including the Working for America Institute leaders, seeking grants through sole-source procurement. While the capacity-building grants have ended, these organizations are welcome to submit proposals that demonstrate employment and reemployment of workers as a primary focus. We are looking for unique approaches to serving targeted groups such as low income individuals or youth offenders or projects that improve the skills of workers in high growth industries.

PREPARED STATEMENT

Mr. Chairman, this concludes my opening statement. Again, I appreciate this opportunity to appear before you on behalf of the Department of Labor's Employment and Training Administration. I am prepared to respond to any questions that you and your colleagues may have.

[The statement follows:]

PREPARED STATEMENT OF HON. THOMAS M. DOWD

Mr. Chairman, and members of the Subcommittee, I am pleased to have the opportunity to testify regarding the Department of Labor's past contract with the Appalachian Council to provide vocational training, job placement and career transition services to Job Corps students and graduates. I would also like to discuss briefly the Department's past grants with the Working for America Institute, which I will do at the end of my remarks.

Job Corps was created in 1964 to provide job training and placement services to economically disadvantaged youth ages 16–24. Most of the 70,000 youth enrolled in the program annually are served in the 118 residential centers and 2 non-residential programs, the majority of which are operated through competitively-procured contracts. The typical Job Corps student is a high school dropout who reads just above the 7th grade level, belongs to a minority group and has never held a full-time job. Job Corps consistently achieves good results for these youth and helps them embark on meaningful, sustainable careers.

The Appalachian Council's contract was one of nine "sole-source" national vocational training contracts with unions, union-affiliated entities, and a national business organization—we refer to them as the National Training Contractors (NTCs). "Sole-source" contracts are awarded without competitive bidding and are rare—making up only a very small percentage of Job Corps contracting (approximately four percent of the Job Corps operating budget). The overwhelming majority of Job Corps contracts are competitively bid through the solicitation procurement process. The NTCs must meet the stringent requirements of the Federal Acquisition Regulations (FAR), including the requirements that the services provided are available from only one responsible source, and that the services result in positive outcomes and performance. Job Corps declined to renew the Appalachian Council's contract both because the Council no longer qualified as a "sole-source" and because its performance was unsatisfactory, particularly regarding average hourly wages for graduates. For example, at the close of Program Year 2002, the Council's last full operating year, average hourly wages for Appalachian Council graduates at initial job placement were \$7.71, compared to \$8.84 for all NTCs (including the Appalachian Council).

The NTC contracts have always been for one year with four option years. During 2003 and early 2004, as the NTC contractors were completing their fourth option year for the contract period November 1998 to January 2004, the Department reviewed all NTC contracts to determine whether each contract still met the FAR sole-source procurement requirements. This review resulted in a determination that the Appalachian Council contract no longer met the sole-source contract requirements.

The contract with the Appalachian Council had two distinct components: (1) placement and career transition services through its Industrial Work Experience Program, and (2) training for students in a variety of trades at three Job Corps centers. After careful review, we concluded that the Council was no longer the only responsible source because the passage of the Workforce Investment Act of 1998 (WIA) resulted in expanded career transition services and a concomitant increase in the number of contractors able to offer such services.

With the passage of WIA, the Job Corps changed its approach to investments in post-program continued services. This change strengthened the program's emphasis on achieving long-term labor market attachment and good wages for Job Corp graduates.

Specifically, section 148(d) of WIA and its implementing regulations require that continued services, including transition support and workplace counseling, be provided to all Job Corps students for 12 months following their graduation from the program. To meet this much broader post-training requirement, the Job Corps began contracting for career transition services such as these through the competitive procurement process.

Prior to the passage of WIA, the Appalachian Council was the sole provider of career transition services to Job Corps graduates through its Industrial Work Experience Program. Job Corps' previous contracts with the Council, therefore, were appropriately sole-sourced to the Council because it was the only responsible source for those services. Currently, however, Job Corps has 87 career transition service contracts, providing services at over 100 sites.

The expansion of career transition services in the past 3 years to all graduating Job Corps students caused the large increase in the number of career transition service contractors. Because of this, the Council is no longer the only responsible source for career transition services and, therefore, does not meet the FAR standards for sole-source procurement. However, the Appalachian Council is encouraged to compete, along with the other providers, to offer career transition services to Job Corps graduates.

With respect to the training portion of the Appalachian Council's contract, the Council's performance was unsatisfactory and, consequently, did not justify renewal. The Office of Job Corps closely monitors each of the National Training Contractors to ensure that the contractor's performance actually results in meaningful employment outcomes for our graduates, such as job placement, retention, and earnings growth. Of course, not all programs perform at the same level, and when performance levels are inadequate, we establish a one-year probationary period during which we require the NTC to develop and implement a Program Improvement Plan. If meaningful performance improvement does not result, the program is closed or training slots are reduced until the contract can be terminated. All NTC programs are subject to the same rigorous review and corrective action system. With regard to the Appalachian Council's training programs, poor performance became evident early in the last contract period, which began November 1, 1998, for the following performance indicators: Average Hourly Wage at Initial Placement; Job Training Match (JTM); and JTM Average Hourly Wage. As a result of this poor performance, we required the Council to develop a Program Improvement Plan to eliminate the identified weaknesses in the program in order to make it an effective training provider for Job Corps students.

Over the past four years, 23 percent of the Appalachian Council's 22 vocational training programs were closed due to continued poor performance, as compared to approximately 10 percent of all other NTC programs. This reduced total contract slots by 114 from 542. By June 30, 2003, the Appalachian Council's last full operating year, they reported the lowest performance outcomes of all NTCs and center-operated vocational programs for the following major performance indicators: vocational program completers; placements; initial average hourly wage; and average hourly wage when placed in job-related training. The Appalachian Council also had the lowest weekly earnings at 6 months, \$352, and 12 months, \$359, following initial placement, as compared to \$383 and \$393, respectively, for all other NTC programs. The Appalachian Council did not improve performance after implementation of their Program Improvement Plan.

In the end, we arrived at our decision to not renew the Appalachian Council's contract because the Council no longer meets the FAR requirements for a sole-source award given the proliferation of available career transition service contractors. In addition, we determined that the continuation of their poorly performing training contract is not in the best interest of the at-risk youth that the Job Corps serves.

At the Department of Labor, we believe that effective program strategies and activities should be continued, and those that do not work must be strengthened or terminated. Even where we have had long-term contractual relationships with serv-

ice providers, if the activities are not producing the results needed for the Nation's young people, the government has an obligation to terminate ineffective training contracts, such as we did in this instance with the Appalachian Council.

With regard to the Working for America Institute, the Employment and Training Administration awarded a \$1 million sole-source grant to the organization for Program Year 2003 to continue providing training and technical assistance to labor representatives on state and local workforce investment boards. On March 5, 2004, ETA received an unsolicited proposal from the Working for America Institute seeking financial support to continue its program of training and technical assistance for labor representatives on local workforce boards.

We reviewed the proposal and determined that this type of general capacity building no longer coincides with the Department's priorities to award discretionary grants that support initiatives focused on training workers in the skills necessary to ensure their employment or reemployment. This distinction is particularly important now that WIA is in its fifth year of implementation.

We believe strongly that grants previously awarded to community-based organizations, business and government associations, as well as entities such as the Working for America Institute, that focused on developing organizational "relationships" to promote workforce development, are not the best use of limited resources at this time.

To help clarify our funding priorities, we have met with numerous representatives from non-profit organizations and associations, including the Working for America Institute leaders, seeking grants through sole-source procurement. While the "relationship" grants have ended, ETA has advised each organization that they are welcome to submit proposals that demonstrate employment and reemployment of workers as a primary focus. We have also shared that we are looking for unique approaches to serving targeted groups (e.g., low income, youth offenders, dislocated workers, etc.) or as part of a high growth project that improves skills of workers in a high growth industry such as health services, construction, and biotechnology. Additionally, we want to see measurable outcomes and results included in each proposal specifically, and at a minimum, outcomes relating to participants' entered employment, job retention and wage gains.

In a meeting with representatives from the Working for America Institute in January 2004, we indicated that future funding would be considered in the context of a high growth or targeted group project. The Working for America Institute representatives were given information and encouraged to both respond to future competitive grant opportunities and to submit a concept paper in the high growth area if they felt they had a viable project design.

Mr. Chairman, this concludes my testimony. Again, I appreciate this opportunity to appear before you on behalf of the Department of Labor's Employment and Training Administration. I am prepared to respond to any questions that you may have.

CORRESPONDENCE WITH THE DEPARTMENT OF LABOR

Senator SPECTER. Mr. Dowd, are you in a position to tell this subcommittee why I did not receive or the subcommittee, acting through me as its chairman, did not receive an answer to my letter of March 3 until April 28, just 2 days before the contract was to expire?

Mr. DOWD. No, I am not, but I will absolutely look into it as soon as I return to the office.

Senator SPECTER. Would you repeat that answer, please?

Mr. DOWD. No, I am not prepared because I do not know the facts, but I will check it immediately upon returning to the office to find out what is the status of the response.

Senator SPECTER. Well, the facts are that I wrote on March 3 and received an answer on April 28 and the contract was due to expire on April 30. Those are the facts. Why did I not get a timely response?

Mr. DOWD. As I said, Senator, I do not know but I will absolutely check to see where the response is in the Department to make sure that we get an answer back to you and why we did not respond—

Senator SPECTER. Well, did you check your file on this matter before coming to testify here today?

Mr. DOWD. I checked to see the letters that did get sent up here and I did not find any record on the response that you indicated that we did not make to you.

Senator SPECTER. Are you in a position to tell me why my letter of March 31 to Secretary Chao concerning the AFL-CIO Working for America Institute has not yet been answered?

Mr. DOWD. I will also check on that letter to see what the status of that one is as well.

Senator SPECTER. Mr. Dowd, how can this subcommittee make recommendations for a multi-billion dollar budget when we do not have any lines of communication with your Department?

Mr. DOWD. I agree that we need to better communicate back to you and respond to your requests, and I will check and see what the status is.

WAGE RATES AND GEOGRAPHICAL WAGE DIFFERENTIALS

Senator SPECTER. In your written statement, you have cited that the Appalachian Council's contract was unsatisfactory, particularly regarding hourly wages for graduates and you cite the Appalachian Council's graduates at initial job placement at \$7.71 compared to \$8.84 for all NTCs. What was the compensation level after the initial job placement?

Mr. DOWD. Richard, do you have that number there?

Senator SPECTER. Initial job placement, of course, is a snapshot at the start, but what happened later?

While they are searching for that, Mr. Dowd, perhaps you can answer this question. Where were the other Job Corps centers located?

I know Mr. Trigg, according to the information here, is from San Francisco where you have a very substantially higher compensation level than you do in the Appalachian Regional Commission. When you trace the Appalachian Regional Commission through the south and into western Pennsylvania, you come to very, very tough economic places. So there would be an expectation that when you are looking at Mississippi, when you are looking at Alabama, looking at Kentucky, looking at southwestern Pennsylvania, you would have a lower compensation level. Has that been taken into account?

Mr. DOWD. Yes, I believe that is correct. The actual average weekly earnings are averaged out over all of the programs operated by the Appalachian Council. I think, Mr. Trigg, you have those figures there now.

Senator SPECTER. Well, when you say NTCs, what does NTC stand for?

Mr. DOWD. Well, that is all the National Training Contractors.

Senator SPECTER. National Training Contractors.

Mr. DOWD. Yes.

Senator SPECTER. Some of those are located in San Francisco?

Mr. TRIGG. Yes, sir.

Senator SPECTER. How does the wage level in San Francisco compare to the hill country of West Virginia? Have you been to West Virginia, Mr. Trigg?

Mr. TRIGG. Yes, sir, I have.

Senator SPECTER. Well, then you are in a position to answer the question.

Mr. TRIGG. Senator, the wages—

Senator SPECTER. I am going to ask you more questions because I can hear you. It is a bad thing to be able to be heard. You get more questions, Mr. Trigg. Go ahead.

Mr. TRIGG. The wages that are set aside for all National Training Contractors, as well as all of the center-operated programs, are developed on a geographically-based model. So marketing conditions in various regions are taken into consideration when we establish the baseline models.

The expectation for our National Training Contractors is that they perform at a higher level than our center-based operators because of their sole-source nature.

Senator SPECTER. They perform at a higher level because of why?

Mr. TRIGG. Because this is a sole-source contract and they have a special niche or special opportunities for placement for these youth, the expectation, when we provide a sole-source contract, is that they will perform at a higher level than everyone else.

Senator SPECTER. Well, why is that? What unique opportunities do they have for placement? And how can they circumvent the critical problem? If you are in a depressed area, you have lower compensation than when you are in San Francisco. You do not have to be rocket scientist to know how much higher prices are in San Francisco and how much more people are paid there than they are in the Appalachian Regional Commission if you take some of the towns in the South, extending up through western Pennsylvania. So is that not a factor that has not really been taken into consideration here?

Mr. TRIGG. Well, Senator, I believe that the factor has been taken into consideration. What we compare is not only the Appalachian Council's performance, but we compare the performance of all other NTC operations in those same geographic areas, as well as the performance of center-based programs in those geographic areas.

Senator SPECTER. Well, but your statistics here are the Council at \$7.71 compared to \$8.84. That is not an enormous differential to start with, but the other National Training Contractors are obviously in areas which have higher wages. Is that not true?

Mr. TRIGG. That is true, sir.

Senator SPECTER. Well, I do not consider that to be a solid reason for drawing a conclusion that the Appalachian Council is no longer qualified because its performance was unsatisfactory, particularly regarding average hourly wage for graduates in light of the major, major discrepancies in the areas covered.

Farther on in your statement, Mr. Dowd, you talk about the Appalachian Council had the lowest weekly earnings at 6 months, \$352, and 12 months. \$352 compared to \$383 again is not a major discrepancy in my opinion. Do you think it is, Mr. Dowd?

Mr. DOWD. If I could, Mr. Chairman—

Senator SPECTER. Let me supplement the question. Do you think it is especially in light of the difference in economic levels of the Appalachian Commission compared to other more lucrative areas?

Mr. DOWD. If I could, Mr. Chairman. We have vocational training programs offered to the Job Corps students all across the country and they are offered by the center operators who competitively bid to run the Job Corps centers at the 118 centers. Those center operators offer vocational training programs. Now, that is the center operators.

On the other side, we had nine, we now have eight National Training Contractors. The national training contractors have been given their contracts on a sole-source basis. They did not have to competitively bid them. There is a distinction to be made there.

Second, I want to share with you that of all of the NTC contractors we have had, the Appalachian Council has consistently been the lowest performing contractor of all nine. It has consistently been—

APPALACHIAN COUNCIL PLACEMENT RATE

Senator SPECTER. Well, be specific, Mr. Dowd. In what respect? Are you aware of the fact that the Appalachian Council placed 87 percent of its graduates, according to the Labor Department's own data, which is above the 85 percent performance goal established by the Department?

Mr. DOWD. Yes. I will be specific. But on that particular statistic, I would want to make sure that that is speaking to placement in any job versus placement in actual jobs they were trained for.

Senator SPECTER. Well, my question to you is were you aware of that fact.

Mr. DOWD. Yes. We do have those facts.

Senator SPECTER. My question to you is were you aware of that fact, not that you do have those facts. Were you aware of that fact?

Mr. DOWD. Yes.

Senator SPECTER. Why was it not in your statement? Why not give a full picture to the subcommittee of the achievements of the Appalachian Council so we can evaluate it, as well as the statistics which you think are derogatory?

Mr. DOWD. Well, if I might, sir. On that particular fact, many of the contractors who provide vocational training—there are two factors that are important to put forward. At the very minimum, we would expect that National Training Contractors would be able to place students who graduate in a job. But obviously, that is not good enough. We do not want just any job, even if it is 87 percent. We want a job that is specifically related to the training they receive.

Senator SPECTER. Do you have facts at your disposal which undercut the fact that the Appalachian Council exceeded the goal? Do you have facts at your disposal that those jobs were inferior jobs?

Mr. DOWD. We have facts that would show that their placements for initial average wages are at least \$1 less than all other contractors who place students. That includes the National Training Contractors as well—

Senator SPECTER. We have already dealt with the conclusion that it is not comparable if you deal with, say, San Francisco compared to West Virginia. Would you not agree that if you are comparing San Francisco's starting salaries with West Virginia, they are not

even apples and oranges? They are acorns and watermelons. Would you not agree with that?

Mr. DOWD. Well, I would agree that if we tried to compare wages from West Virginia to California, there is a discrepancy, but I do not believe that is what we do. What we do is take the average of all the wages of all the operators that are placing people across the country to try to regularize—

Senator SPECTER. Well, do you have any region which is in as tough a financial shape as the Appalachian Regional Commission?

Mr. DOWD. Well, I can think of a few Indian reservations where we have got a couple of Job Corps centers, but it is one of the toughest economic—

Senator SPECTER. You would agree that the Appalachian Commission is one of the toughest. May the record show Mr. Trigg is nodding in the affirmative. Right, Mr. Trigg?

Mr. TRIGG. Yes. The Appalachian area is a very difficult area.

PITTSBURGH JOB CORPS CENTER

Senator SPECTER. Well, gentlemen, I do not find your case very strong condemning what the Appalachian Council has done.

What is happening to the Job Corps center in Pittsburgh since April 30 with this contract not being let?

Mr. DOWD. The services at the Pittsburgh center are continuing to be provided in the vocational programs that were previously operated by the Appalachian Council. I want to be clear that—

Senator SPECTER. Who is doing that?

Mr. DOWD. The center operator. And that kind of goes back to my point a moment ago that—

Senator SPECTER. Are there other facets of what they are doing besides what you just enumerated? What did you say is continuing to be provided?

Mr. DOWD. The same training program that was previously provided by the Appalachian Council is being managed and operated by the center operator in Pittsburgh, so that the program itself has not stopped. Students are continuing to be trained.

Senator SPECTER. Were those folks operating it for the Appalachian Council?

Mr. DOWD. No. The center operator is the contractor who is running the center.

Senator SPECTER. So there was a change made on May 1?

Mr. DOWD. No.

Senator SPECTER. What happened after April 30 when you terminated the contract of the Appalachian Council?

Mr. DOWD. All the centers are operated by center operators that are not National Training Contractors. The National Training Contractors also provide vocational programs at a number of Job Corps centers. I want to draw the distinction here. All of the center operators operate vocational training programs.

Senator SPECTER. Well, what was the Appalachian Council doing with respect to Pittsburgh prior to April 30?

Mr. DOWD. They were offering a variety of programs: food service, health occupation, carpentry.

Senator SPECTER. And what has happened to those programs after May 1?

Mr. DOWD. Right. The center operator, the contractor who runs the Job Corps center, that runs the dormitory, runs the food service, operates the entire center, and operates some of their own vocational training programs, picked up these programs and are continuing to offer them to the students.

Senator SPECTER. Are they doing a better job than the Appalachian Council did? Have they increased initial job placement?

Mr. DOWD. We believe that the center-operated programs in Pittsburgh have certainly been comparable and better than the programs that were offered by the National Training Contractor, Appalachian Council.

Senator SPECTER. Well, aside from what you believe, which is conclusory, have they gotten initial job placement at a higher figure than the Appalachian Council?

Mr. DOWD. I believe that is correct for the programs that they have operated. It is a little early to say with regard to the programs they just picked up.

Senator SPECTER. You believe it is correct? I pause when I hear comments about "I believe." What I am interested in is what you know based on facts. Do you know based on facts?

Mr. DOWD. The other vocational programs at the Pittsburgh center are better in their performance than the Appalachian Council in the Pittsburgh center. The difference is about \$8.69 versus \$8.16 per placement.

Senator SPECTER. And what period of time is that for?

Mr. DOWD. The past program year, which would have been July 2003 to June of this year.

Senator SPECTER. And what is that figure again?

Mr. DOWD. \$8.69 versus \$8.16.

Senator SPECTER. \$8.69?

Mr. DOWD. Yes.

Senator SPECTER. Compared to \$8.68?

Mr. DOWD. \$8.16.

Senator SPECTER. \$8.16? Is that a sufficient differential to oust a long-term contractor?

Mr. DOWD. Well, I would say that there are circumstances where the Appalachian Council's performance with some programs was average. It was not any better or worse than most contractors for those particular programs. But in totality their overall performance as a contractor for all their programs, as I indicated before, was the lowest-performing contractor in the Nation for all National Training Contractors—

Senator SPECTER. Would you provide this subcommittee with backup statistics on that, specifying what the contractors were other places, contrasted here?

Mr. DOWD. Yes.

[The information follows:]

APPALACHIAN COUNCIL AND WORKING FOR AMERICA INSTITUTE

BACKGROUND

Job Corps' contract with the Appalachian Council was one of nine sole-source contracts administered through the national office of Job Corps. Typically, contracts for center operations are procured through Job Corps regional offices; the regional offices have primary oversight over the centers. Most vocational training is provided by the center operator as a part of the overall operation of the center. The National

Training Contractors (NTCs) are an exception to this rule. NTCs typically have an expertise and network in one particular occupation such as painting, carpentry, or masonry, and provide specialized training in that field at as many as 30 or 40 different Job Corps centers.

APPALACHIAN COUNCIL CONTRACT

The contract with the Appalachian Council consisted of two tasks: (1) provision of career transition services, and (2) provision of vocational training. The following performance statistics relate solely to the vocational training programs. The vocational training programs provided by the Appalachian Council were not focused on one area of expertise, as is the case for all other NTCs. The Appalachian Council provided training in nine different occupations, and the training was provided at only three Job Corps centers: Pittsburgh, PA; Batesville, MS and Charleston, WV.

PERFORMANCE

In the last few program years, Appalachian Council's performance was so poor that many of the vocational training programs were closed. In fact, all programs at the Pittsburgh Job Corps Center were scheduled to be closed.

The following charts reflect the Appalachian Council's most significant performance deficiencies in the past six program years. The Program Year (PY) begins on July 1 and ends on June 30 of the following calendar year.

The following information indicates the Appalachian Council's sustained poor performance in the areas of initial and long-term earnings at the centers where they had vocational training programs compared to other NTCs programs and center-operated programs at the same three centers. Performance results were particularly disappointing when compared to all other NTCs and center-operated programs nationally.

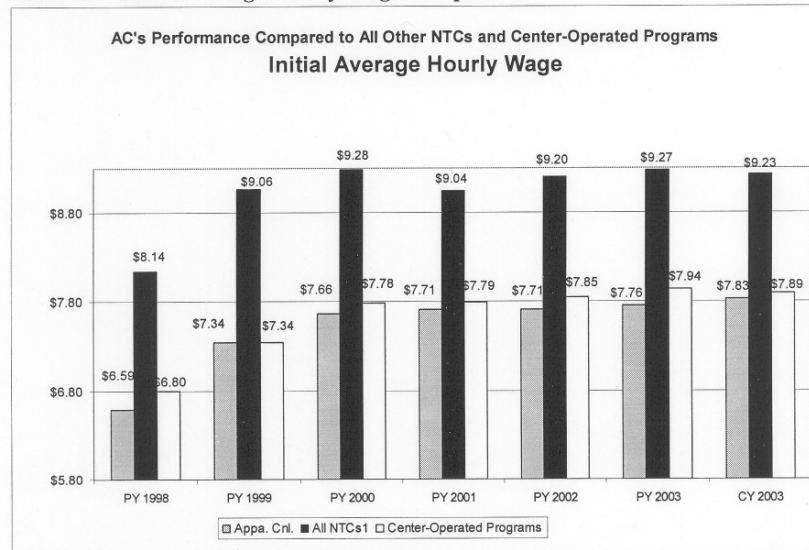
Note: All the "a" charts are based on the national, overall performance data for each program year listed, comparing the Appalachian Council to all other NTCs and center-operated programs. These are comparisons of national performance for all NTCs that include both high and low wage areas.

All the "b" charts are based on the performance data for Calendar Year (CY) 2003 comparing the Appalachian Council performance to the NTCs and center-operated programs at the same three centers. CY 2003 data was used as it best reflects the Appalachian Council programs' performance in its last full 12-month cycle before the contract ended in February 2004.

1. INITIAL AVERAGE HOURLY WAGE

Definition

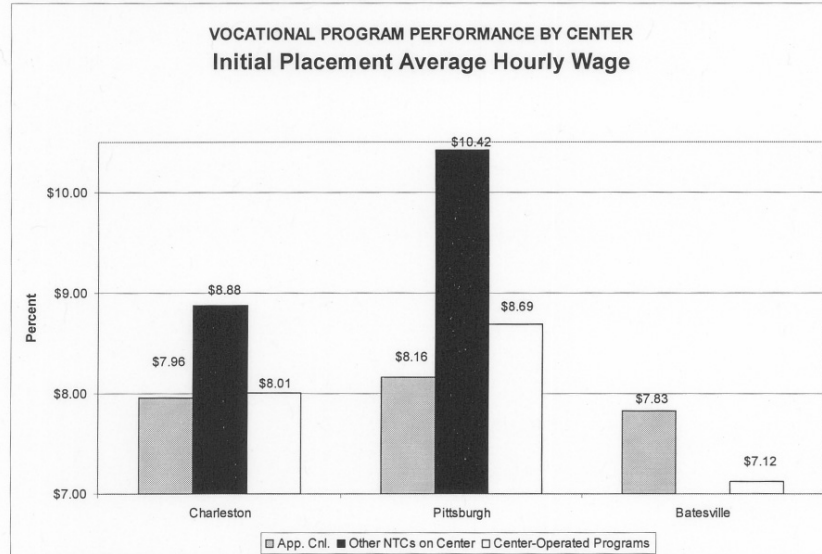
The sum of the hourly wage of vocational completers initially placed in jobs or the military All vocational completers initially placed in jobs or the military

*Performance Trend***Chart 1a – Initial Average Hourly Wage Comparisons**

Source: VES10 – National NTC Report

Chart 1a shows the Appalachian Council's deficiency, nationally, in attaining initial average hourly wages as compared to all other NTCs and Center-Operated Programs from PY 1998 through PY 2003. When comparing Appalachian Council's initial average hourly wages with the NTCs, the result is a difference well over \$200 a month. In addition, when comparing the Appalachian Council's initial average hourly wage to the center-operated programs, the results were consistently below, except in PY 1999 when the two are equal. For Job Corps graduates who typically earn between \$350 and \$400 a week, this can be the difference in a graduate's ability to pay for adequate housing or transportation.

Chart 1b – Initial Placement Average Hourly Wage Comparison by Center



Source: CY 2003 VTRC-10: 1/03 – 12/31/03

Chart 1b, based on CY 2003 data, shows a similar pattern for the initial placement average hourly wage measure. The Appalachian Council's initial placement average hourly wage was below the other NTCs and the center-operated programs at both Charleston and Pittsburgh. The only exception is at Batesville where the Appalachian Council's completers out-earned those from the center-operated programs. Please note that the Appalachian Council is the only NTC at Batesville.

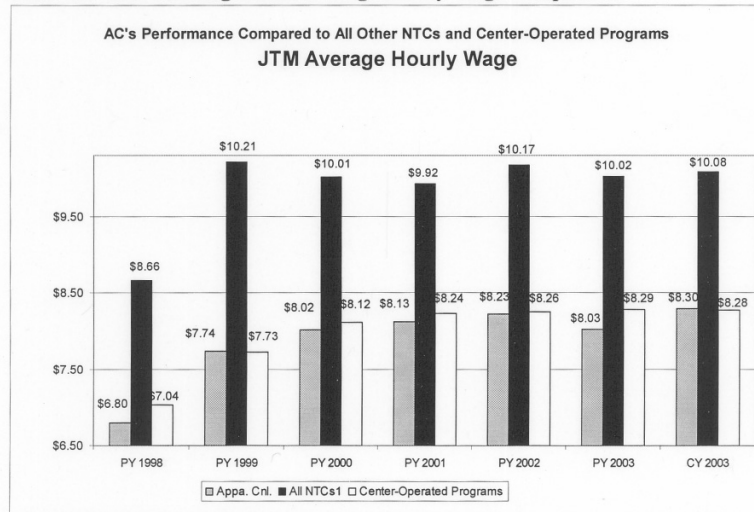
2. JOB-TRAINING-MATCH (JTM) AVERAGE HOURLY WAGE (INITIAL)

Definition

The sum of the hourly wage of vocational completers in training-related employment or the military. All vocational completers who were initially placed in jobs or the military.

Performance Trend

Chart 2a – Job-Training-Match Average Hourly Wage Comparison

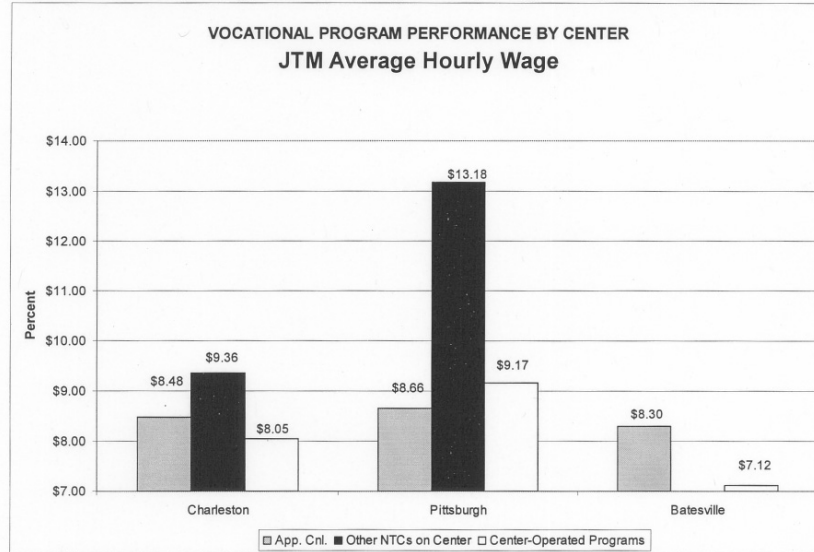


Source: VES10 – National NTC Report

Note: Job-Training-Match (JTM) average wage was not included in Job Corps' Vocational Evaluation System as an official measurement until PY 2000. However, data was collected and listed in the reports for [Information Only](#) during the period of PY 1998 and PY 1999.

Chart 2a shows that the Appalachian Council's Job-Training-Match (JTM) wage was outperformed by all NTCs in every program year from 1998–2003. In addition, the Appalachian Council's performance trailed the center-operated programs for most of the past six program years.

The differences between the Appalachian Council and all other NTCs in this outcome measure ranges from \$1.78 to \$2.47 per hour. These hourly differences translate into \$71 and \$99 in a 40-hour work week, respectively. These differences represent a significant reduction in earnings for Job Corps graduates who earn between \$350 and \$400 a week.

Chart 2b – Job-Training-Match Average Hourly Wage Comparison by Center

Source: CY 2003 VTRC-10: 1/1/03 – 12/31/03

Chart 2b illustrates a similar picture of the Appalachian Council's JTM average hourly wage in CY 2003. While the wage difference between the Appalachian Council and the NTCs at the Charleston center is less than a dollar, the differential at the Pittsburgh center is significant. The wage difference between the Appalachian Council and the NTCs at the Pittsburgh center is \$4.52 per hour which represents a \$181 per week difference in total wages for Job Corps graduates.

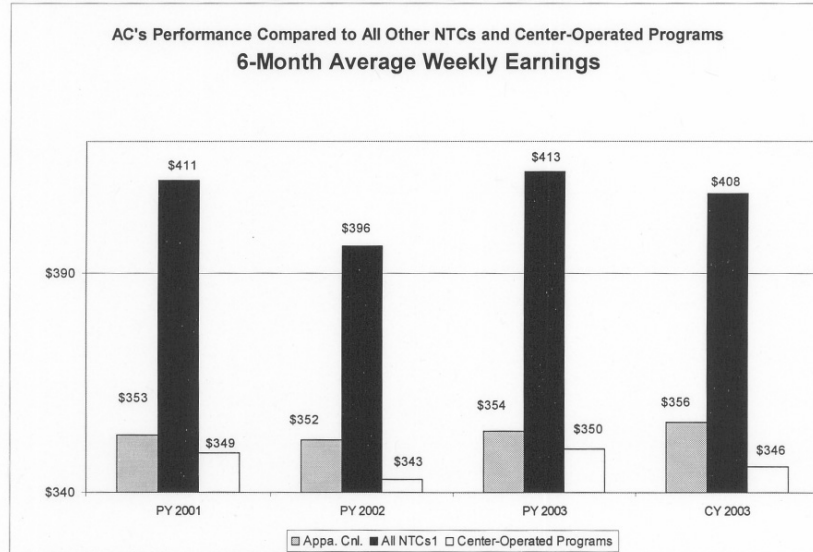
3. 6-MONTH AVERAGE WEEKLY EARNINGS (LONG-TERM)

Definition

The sum of weekly earnings of vocational completers who report working at 6 months following placement in a job that meets the Job Corps definition of placements. All vocational completers initially placed who complete the 6-month follow-up survey and report that they are working in a job/military that meets the Job Corps definition of placement

Performance Trend

Chart 3a – 6-Month Average Weekly Earnings Comparison

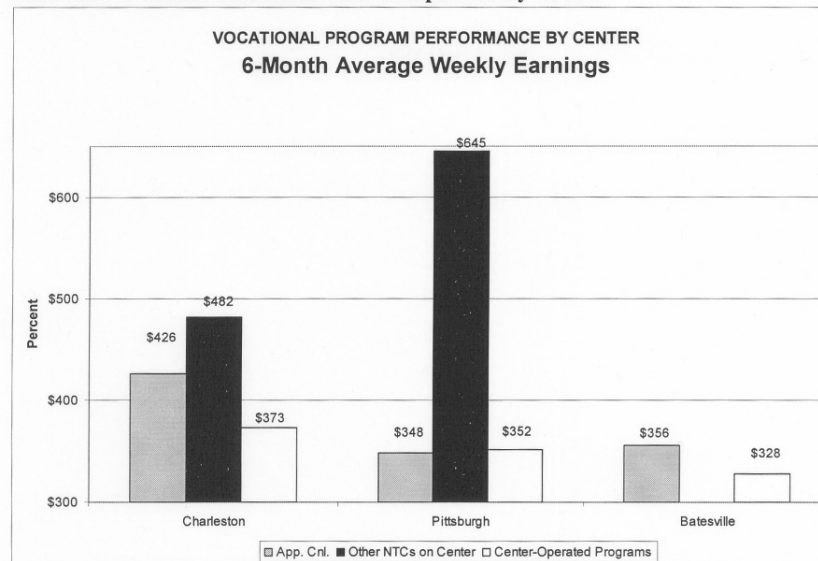


Source: VES10 – National NTC Report

Note: The 6-month average weekly earnings rate was implemented as a measure in PY 2001.

Chart 3a shows the Appalachian Council trailing all other NTCs in the 6-month average weekly earnings outcome measure from PY 2001 to PY 2003. Earnings fluctuated between \$352 and \$354, representing a deficiency of \$44 per week to \$59 per week when compared to all other NTCs.

Chart 3b – 6-Month Placement Rate Comparison by Center



Source: CY 2003 VTRC-10: 1/1/03 – 12/31/03

Chart 3b demonstrates that the Appalachian Council's performance outcomes for 6-month average weekly earnings measure trailed the other NTCs by \$56 per week at Charleston and by \$297 per week at Pittsburgh.

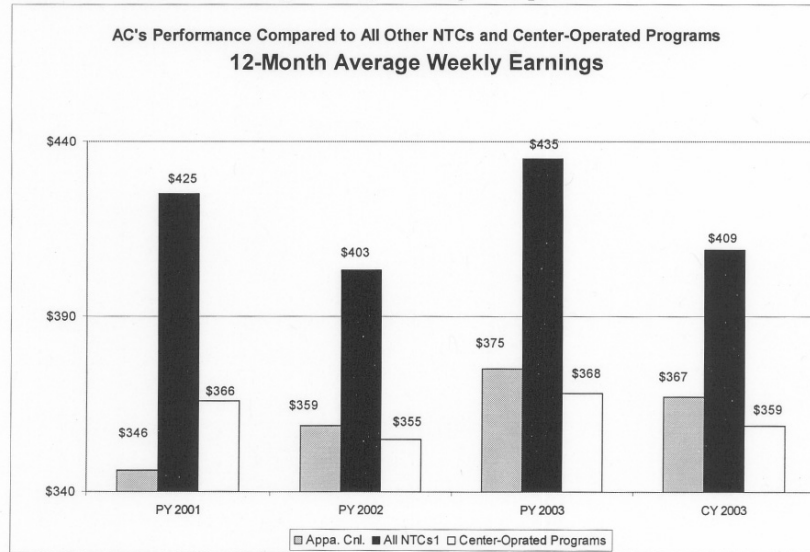
4. 12-MONTH AVERAGE WEEKLY EARNINGS (LONG-TERM)

Definition

The sum of weekly earnings of vocational completers who report working at 12 months following placement in a job that meets the Job Corps definition of placement. All vocational completers initially placed who complete the 12-month follow-up survey and report they are working in a job or the military that meets Job Corps definition of placement.

Performance Trend

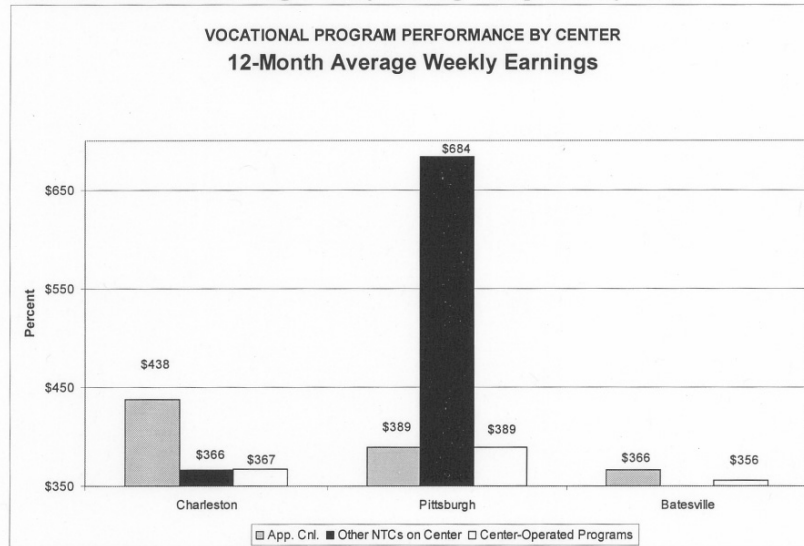
Chart 4a – 12-Month Average Weekly Earnings Comparison



Source: VES10 – National NTC Report

Chart 4a shows that, nationally, the Appalachian Council consistently trailed all other NTCs in the 12-month average weekly earnings measure from PY 2001-PY 2003. Differences ranged from \$44 per week to \$79 per week. The Appalachian Council's performance in this measure was even lower than that of the center-operated programs in PY 2001, though the earnings increased slightly in PY 2002 and PY 2003.

Chart 4b – 12-Month Average Weekly Earnings Comparison by Center



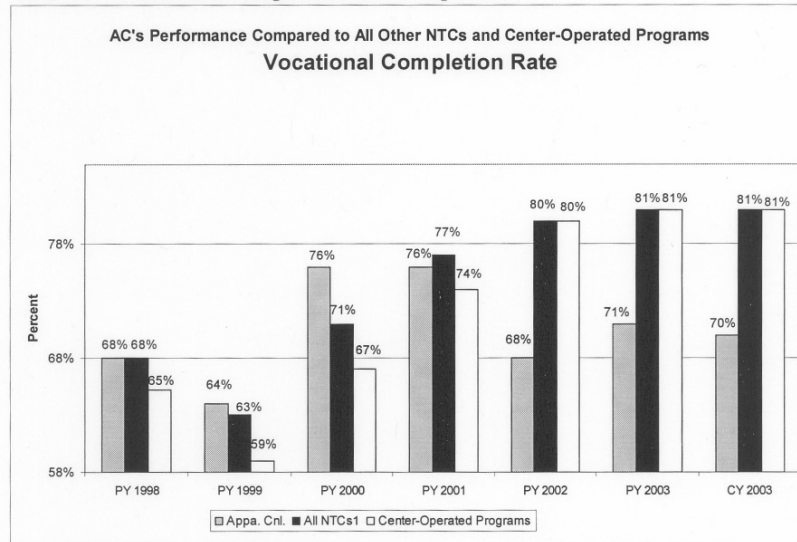
Source: CY 2003 VTRC-10: 1/1/03 – 12/31/03

Chart 4b provides a comparison of the 12-month average weekly earnings by center. Although the performance results show that the Appalachian Council outperformed the NTCs and center-operated programs at the Charleston and Batesville centers, the data shows a significant difference of \$295 per week between the Appalachian Council and the other NTCs at the Pittsburgh center.

5. VOCATIONAL COMPLETION RATE

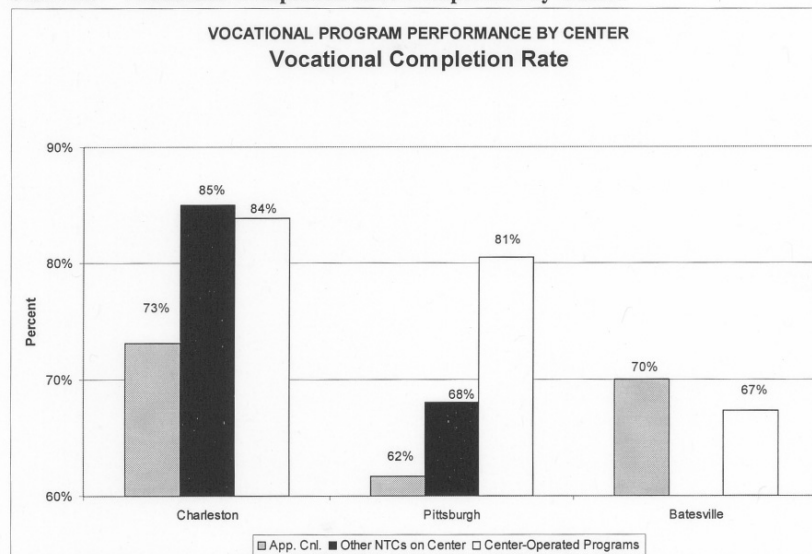
Definition

Number of trainees who complete a vocational training program before separating from Job Corps. All students assigned to a vocational program.

*Performance Trend***Chart 5a – Vocational Completion Rate Comparison**

Source: VES10 – National NTC Report

Chart 5a shows that the Appalachian Council's overall vocational completion rate nationally topped all other NTCs and center-operated programs from PY 1998-PY 2000. However, beginning in PY 2001, the Appalachian Council's vocational completion rate had a consecutive three-year decline, while all other NTCs and center-operated programs improved their overall completion rates.

Chart 5b – Vocational Completion Rate Comparison by Center

Source: CY 2003 VRTC-10: 1/1/03 – 12/31/03

Chart 5b shows that the Appalachian Council's completion rates in CY 2003 were significantly below the other NTCs and the center-operated programs at the Charleston and Pittsburgh center. It is important to note that the Construction Technology and Health Occupations programs at Pittsburgh had such low completion rates in PY 2001 and PY 2002 that both programs were reduced in size as a result (not reflected in the chart). At the Batesville center, where there are no other NTC programs, the Appalachian Council's completion rate was slightly higher than that of the center-operated programs.

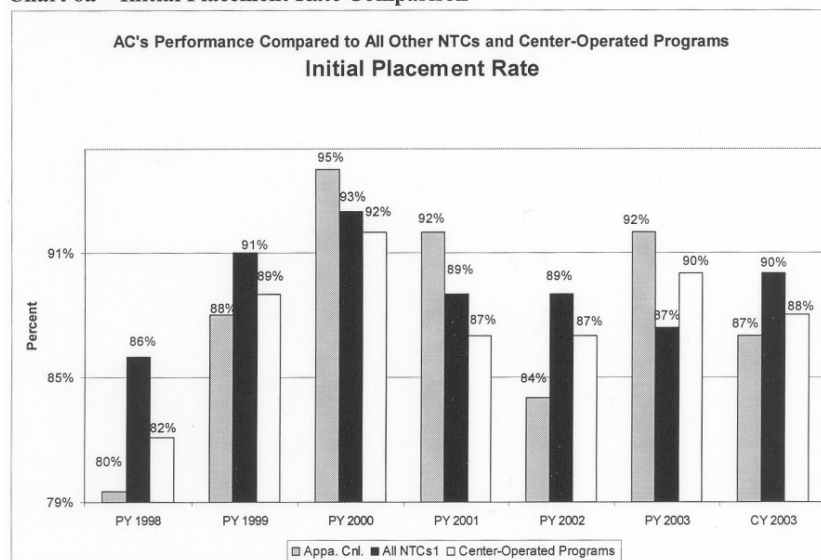
6. INITIAL PLACEMENT RATE

Definition

The number of vocational completers who are initially placed in a job, an education program, the military, or a job/school combination, or who transfer to an approved Advanced Training program at another center. All vocational completers whose initial placement records are due or received or who transfer to an approved Advanced Training program at another center.

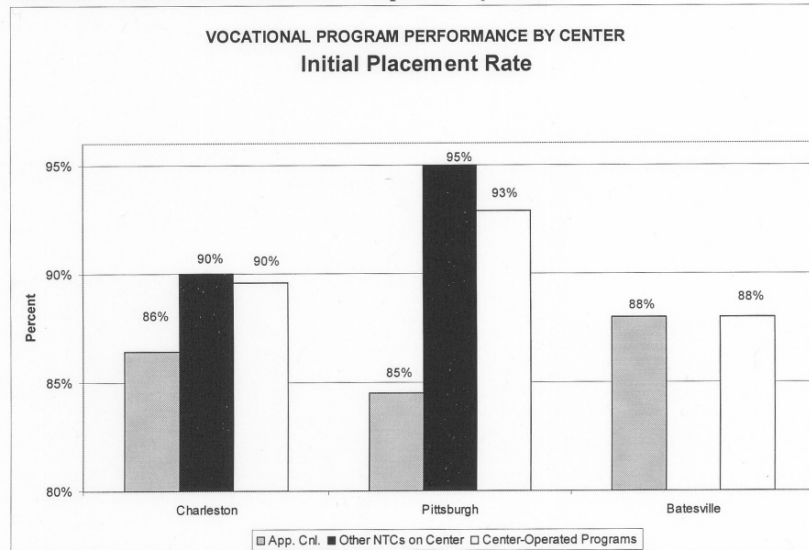
Performance Trend

Chart 6a – Initial Placement Rate Comparison



Source: VES10 – National NTC Report

Chart 6a indicates that the Appalachian Council's initial placement rate nationally was sporadic when compared with all other NTCs and center-operated programs during the six-year period of PY 1998-PY 2003. Even though the Appalachian Council had a unique advantage of having its own career transition services provider, the IWEP, the initial placement rates were below all other NTCs and center-operated programs in PY 1998, PY 1999, PY 2002 and CY 2003.

Chart 6b – Initial Placement Rate Comparison by Center

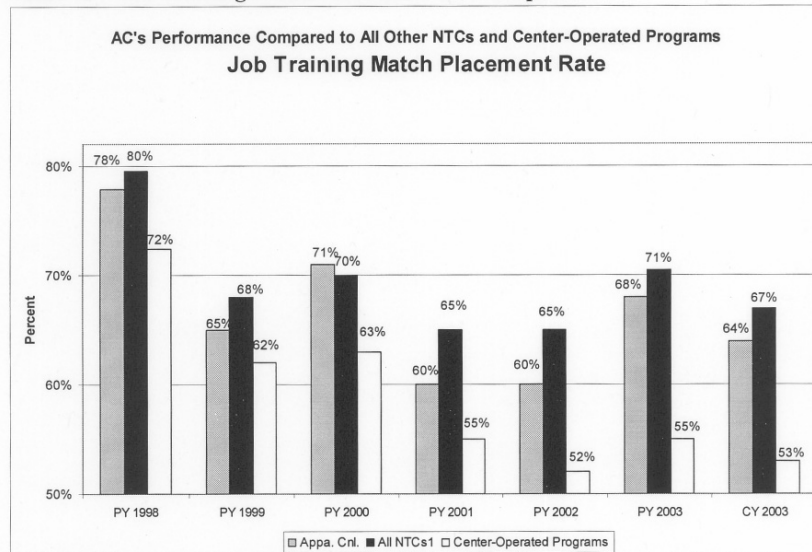
Source: CY 2003 VRTC-10: 1/1/03 – 12/31/03

Chart 6b shows that in CY 2003, the Appalachian Council's initial placement rate was much lower than that of the other NTC programs as well as the center-operated programs at both Charleston and Pittsburgh. At Batesville, the Appalachian Council's initial placement rate is almost the same as that of the center-operated programs.

7. JOB-TRAINING-MATCH (JTM) PLACEMENT RATE

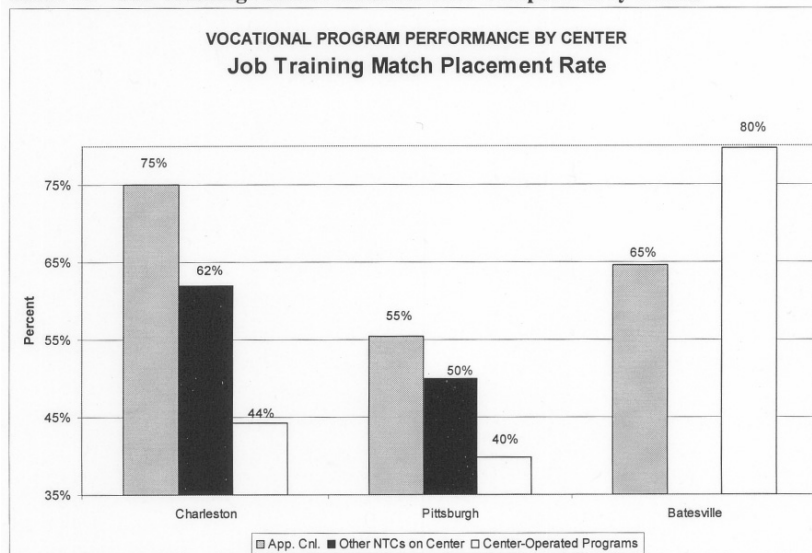
Definition

The number of vocational completers initially placed in training-related jobs or the military. All vocational completers who were initially placed in jobs or the military.

*Performance Trend***Chart 7a – Job Training Match Placement Rate Comparison**

Source: VES10 – National NTC Report

Chart 7a shows that the Appalachian Council's Job Training Match placement rate was satisfactory in PY 1998 at 78 percent. The rate declined in subsequent years to a low of 60 percent in both PY 2001 and PY 2002. The rate slightly increased to 68 percent in PY 2003. Despite the increase in PY 2003, the Appalachian Council trailed all other NTCs in every program year except PY 2000 for this measurement.

Chart 7b – Job Training Match Placement Rate Comparison by Center

Source: CY 2003 VRTC-10: 1/1/03 – 12/31/03

Chart 7b shows a breakdown of the Appalachian Council's improved Job Training Match placement rate in CY 2003 at the three centers. Although the Appalachian Council's performance was satisfactory at the Charleston and Pittsburgh centers, they trailed the center-operated programs at the Batesville center in CY 2003.

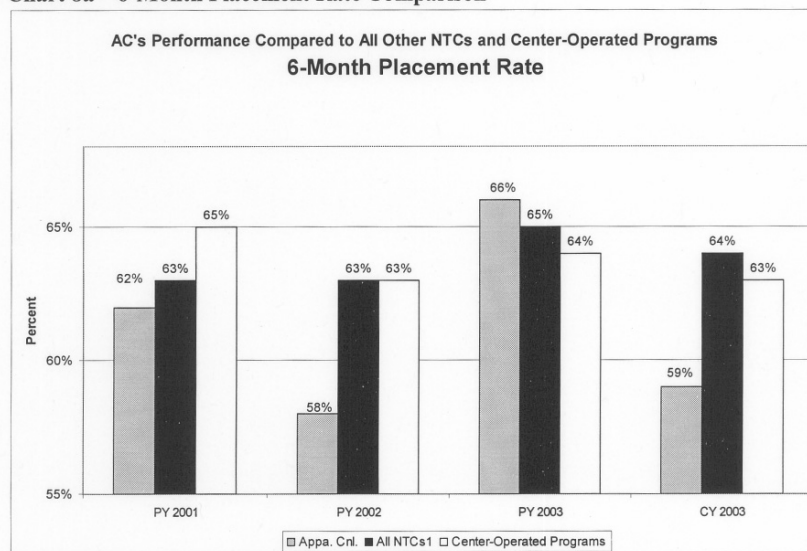
8. 6-MONTH PLACEMENT RATE

Definition

The number of vocational completers who are in a job/military or school that meet the Job Corps definition of placement at 6 months after initial placement. All vocational completers initially placed who complete the 6-month follow-up survey.

Performance Trend

Chart 8a – 6-Month Placement Rate Comparison

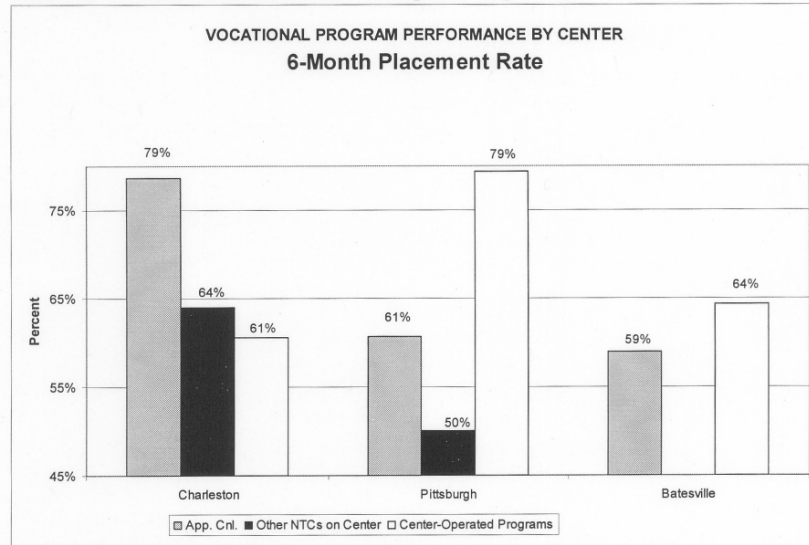


Source: VES10 – National NTC Report

Note: The 6-month placement rate measure was implemented in PY 2001.

Chart 8a shows that, nationally, the Appalachian Council's 6-month placement rate fluctuated from PY 2001 to PY 2003. Although the Appalachian Council's 6-month placement rate trailed that of all other NTCs and center-operated programs in PY 2001 and PY 2002, their performance for this measure topped both in PY 2003.

Chart 8b – 6-Month Placement Rate Comparison by Center



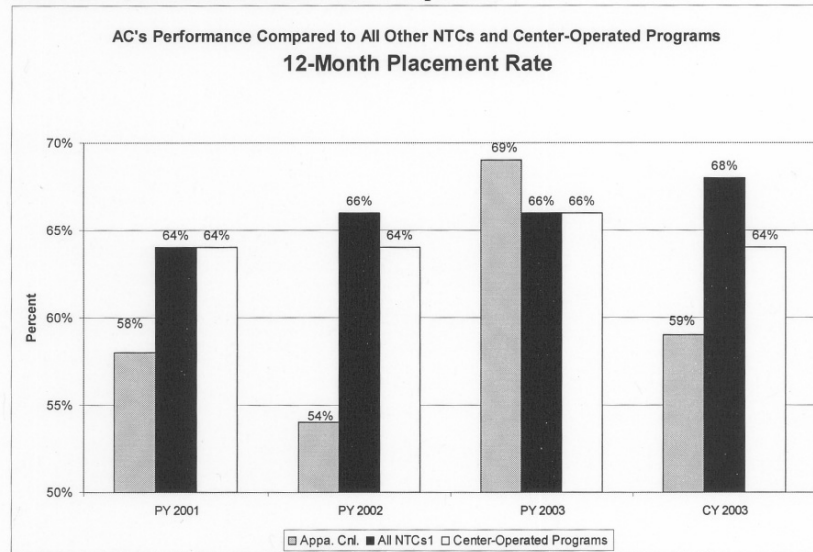
Source: CY 2003 VRTC-10: 1/1/03 – 12/31/03

Chart 8b shows that the Appalachian Council surpassed the NTCs and center-operated programs at the Charleston center; outpaced the NTC at the Pittsburgh center but trailed the center-operated programs in both Pittsburgh and Batesville.

9. 12-MONTH PLACEMENT RATE

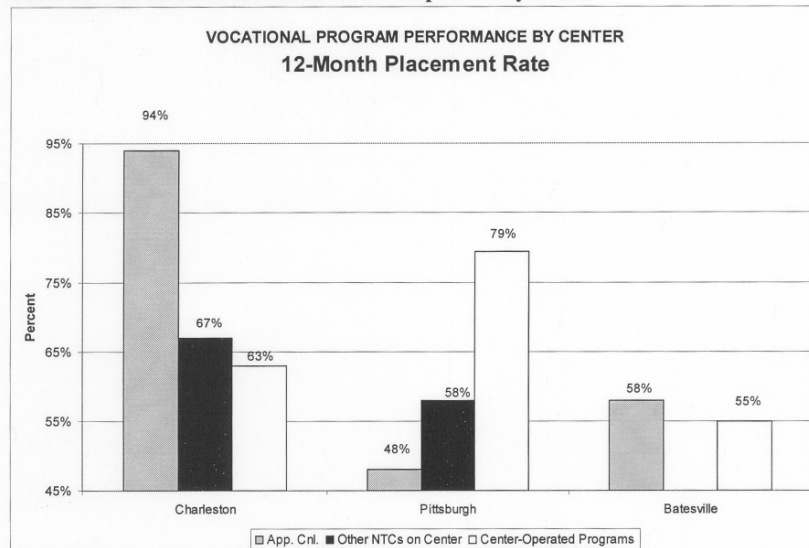
Definition

The number of vocational completers who are in a job/military or school that meets the Job Corps definition of placement at 12 months after initial placement. All vocational completers initially placed who complete the 12-month follow-up survey.

*Performance Trend***Chart 9a – 12-month Placement Rate Comparison**

Source: VES10 – National NTC Report

Chart 9a shows that the Appalachian Council's 12-month placement rate was below the NTCs and center-operated programs in both PY 2001 and PY 2002. The rate increased slightly and surpassed the NTCs and center-operated programs in PY 2003.

Chart 9b – 12-Month Placement Rate Comparison by Center

Source: CY 2003 VRTC-10: 1/1/03 – 12/31/03

Chart 9b shows the Appalachian Council's uneven achievement in this measurement at the three centers in CY 2003. Although Appalachian Council performed well

at the Charleston center (with only one trade), it performed unsatisfactorily at the Pittsburgh center when compared to the NTCs and center-operated programs. Appalachian Council's performance at the Batesville center was just slightly better than the center-operated programs.

10. APPALACHIAN COUNCIL'S VOCATIONAL TRAINING PROGRAM PERFORMANCE

Chart 10 lists the number of Appalachian Council programs performing below or above Job Corps' national or regional standards in each program year.

Chart 10 – Appalachian Council's Vocational Training Program Performance

APPALACHIAN COUNCIL'S PERFORMANCE OF VOCATIONAL PROGRAMS										
Program Year	Vocational Completion		Initial Placement		Initial Average Wage		Job-Training-Match (JTM)		JTM Average Wage	
	Below Standard	Above Standard	Below Standard	Above Standard	Below Standard	Above Standard	Below Standard	Above Standard	Below Standard	Above Standard
PY 1998	3	13	11	5	13	3	14	2	N/A ¹	N/A ¹
PY 1999	11	5	7	9	9	7	12	4	N/A ¹	N/A ¹
PY 2000	4	11	5	10	13	2	8	7	14	1
PY 2001	6	9	7	8	14	1	15	0	12	3
PY 2002	7	6	10	3	11	2	10	3	12	1

Program Year	6-Month Placement		6-Month Average Weekly Earnings		12-Month Placement		12-Month Average Weekly Earnings	
	Below Standard	Above Standard	Below Standard	Above Standard	Below Standard	Above Standard	Below Standard	Above Standard
PY 2001	13	2	8	7	13	2	9	6
PY 2002	12	1	6	7	12	1	8	5
PY 2003	N/A ²	N/A ²	7	6	N/A ²	N/A ²	4	9
CY 2003	N/A ²	N/A ²	6	7	N/A ²	N/A ²	6	7

Note: JTM Wage was not established as a measurement in PY 1998 and PY 1999. In PY 2003 performance was based on actual results, rather than standards. The 6- and 12-month placement and average weekly earning became effective in PY 2001.

CHART SYNOPSIS

- The majority of the Appalachian Council's vocational training programs performed below standard in all five past program years (PY 1998-PY 2002).
- The Appalachian Council operated with the vast majority of its programs performing well below the JTM average wage standards, nationwide, from PY 2000-PY 2002.
- From PY 2001-PY 2003, the Appalachian Council had approximately 50 percent of its programs performing below the 6-month average weekly earnings standard each program year.
- The Appalachian Council had at least 44 percent of its programs performing below the 12-month average weekly earnings standard in each program year from PY 2001-PY 2003.
- From PY 1998-PY 2002, the Appalachian Council had an increasing percentage of programs that performed below the national standards for vocational completion in each program year.
- The chart portrays a similar pattern in terms of the number of Appalachian Council programs performing below each program year's standards for initial placement. In PY 1998, it had 11 programs below standard. It ended in PY 2002 with 10 below standard.
- The Appalachian Council consistently had the vast majority of its programs performing below standard in the Job-Training-Match measure from PY 1998 through PY 2002.
- The Appalachian Council had the vast majority of its programs performing below the 6-month placement standards in PY 2001 and PY 2002.
- In PY 2001 and PY 2002 the Appalachian Council had most of its programs performing under the 12-month placement standards nationwide.

Senator SPECTER. Well, to repeat, I think on the basis of what your written statement has, you certainly have not made that case out, Mr. Dowd, Mr. Trigg.

I would appreciate it if you would respond to the questions about communications with this Department and see if you can get that to us before the end of the day, signed by the Secretary, please. Thank you very much, gentlemen.

[The information follows:]

U.S. DEPARTMENT OF LABOR, ASSISTANT SECRETARY
FOR CONGRESSIONAL AND INTERGOVERNMENTAL AFFAIRS,
Washington, DC, July 22, 2004.

Hon. ARLEN SPECTER,
*Chairman, Subcommittee on Labor, HHS-Education, Appropriations, U.S. Senate,
Washington, DC.*

DEAR MR. CHAIRMAN: Thank you for your letter to Secretary Elaine L. Chao expressing support for the AFL-CIO's unsolicited proposal submitted by the Working for America Institute to the Department of Labor's Employment & Training Administration (ETA). In order to meet the deadline you established during this morning's hearing, I am responding on the Secretary's behalf. I apologize for the delay in responding to your concerns.

As you know, upon the passage of the Workforce Investment Act in 1998, ETA funded several "relationship grants" to national organizations for the purpose of helping their state and local members gear up to participate in the new workforce system. Organizations that received such grants included the National Council of La Raza, National Puerto Rican Forum, National Urban League, OIC of America, SER Jobs for Progress, Inc., National Governor's Association, National Association of Counties, National Conference of State Legislatures, US Council of Mayors, National Conference of Black Mayors, a joint project of the U.S. Chamber of Commerce and National Association of Manufacturers, and the National Alliance of Business.

ETA stopped funding these "relationship grants" at the end of Program Year 2002, except for the AFL-CIO's Working for America Institute, which was awarded \$1 million for an additional year, Program Year 2003, which ended on June 30, 2004.

However, now that the Workforce Investment Act is in its fifth year of implementation, we strongly believe that it is more important to complete the transition from capacity building to actual training programs. We believe we should focus limited financial resources on programs that deliver actual training services to workers rather than to pour additional funds into organizational infrastructure. After four years, the AFL-CIO should have developed sufficient ability to participate effectively in the WIA system.

On January 5 of this year, the senior leadership of the Employment and Training Administration met with representatives of the AFL-CIO to advise them that the "relationship grant" would be ending and to explore other possible funding opportunities. ETA indicated that any proposal focused on providing actual training opportunities for workers would be considered for funding. In fact, there were a number of phone calls and e-mails following up on this meeting. Moreover, as a result, we assume, of our invitation to submit training proposals, the Working for America Institute submitted a concept paper for a project on limited English proficiency services that remains under consideration. As a matter of fact, the Department of Labor has funded a number of training programs proposed by labor unions. These include AFL-CIO affiliates such as the Service Employees International Union, Hotel Employees and Restaurant Employees International Union, International Association of Machinists, Fraternal Order of Police, United Auto Workers, and the International Brotherhood of Electrical Workers, to name just a few.

Nevertheless, on March 5, 2004, ETA received an unsolicited proposal from the Working for America Institute seeking financial support to continue its program of training and technical assistance for labor representatives on local workforce boards.

The Department has rejected this proposal. It is difficult to make the case that the AFL-CIO should receive yet a fifth year of funding for organizational purposes when the other national organizations were able to achieve their goals in three. Additionally, given that there are so many workers seeking training or retraining opportunities, we believe ETA's emphasis is rightly placed on promoting employment or reemployment projects having measurable outcomes.

We appreciate your interest, and, again, I regret the delay in responding.

Sincerely,

KRISTINE A. IVERSON.

Senator SPECTER. We turn now to panel two, Mayor Bobby Baker, Mr. Jim Bowen, Mr. Gary Darlington, Mr. William M. George, accompanied by Ms. Nancy Mills; Mr. Herbert M. Mabry, accompanied by Mr. William A. Burga. We have you listed here in alphabetical order because of the prominence of the various witnesses.

We turn now to Mayor Baker, Mayor of Batesville, Mississippi, since 1976, a member of the Board of Directors and Executive Committee of the Mississippi Municipal Association. He attended Northwest Junior College and the University of Mississippi. Welcome, Mayor Baker, and we look forward to your testimony.

STATEMENT OF HON. BOBBY BAKER, MAYOR, BATESVILLE, MS

Mr. BAKER. Thank you, Mr. Chairman. I appreciate the opportunity of speaking before the subcommittee. Thank you, Senator Specter.

I would like to speak on behalf of the Appalachian Council and its contract with the Department of Labor. My name is Bobby Baker and I have been the Mayor since 1976. I was the Mayor when Job Corps came to our city and when the Appalachian Council and the contractor came to our city in 1981.

I will limit my remarks today to my personal knowledge of the Appalachian Council as it relates to the Council's operations in Batesville.

I am aware that the Council's training programs have in the past 5 years been responsible for any positive recognition that the Batesville Job Corps has received. In a publication titled Trends in Job Corps Program Outcomes PY98-PY02, dated October 2003, and released by Richard Trigg, National Director of Job Corps in November 2003, the Batesville Job Corps was recognized as a consistently high performing center in the following three areas: graduate placement, 1 out of 5 cited on the national; placement rate of vocational completers only, 1 out of 6 cited nationally; and former enrollee placement, 1 out of 9. The Council was responsible for training and placing approximately 70 percent of all the students from the Batesville center.

The Appalachian Council was a good partner not only in Batesville but in the surrounding communities as well. The Council viewed community service projects as an important tool in preparing their students for the workplace—100 hours of community service was an expectation of all students. Students were involved in worthwhile projects such as Habitat for Humanity, Grenada Elderly Apartments, Quitman and Panola County Rehab Housing Project, and the local food bank. The involvement provided students the opportunity to interact with the local community in a positive manner.

Other types of community activities included job shadowing, adopt-a-highway, and career day. The Council has always recognized that students' involvement in community activities is an integral part of preparing for the workplace.

The Batesville Boys and Girls Club benefitted from the efforts of the Council-trained students as the hardhat trades work on projects to improve and enhance the club.

I am also aware that the Council students have written hundreds of letters to our troops and have sent care packages to them.

PREPARED STATEMENT

It seems to me that the continuation of the Council's involvement in Job Corps in general and at the Batesville, Mississippi Job Corps Center in particular makes good sense both from the view of the government and also the students that the Council serves.

Again, Mr. Chairman, thank you for allowing me to be here, and I will accept any questions that I may be able to answer.

[The statement follows:]

PREPARED STATEMENT OF BOBBY BAKER

Chairman Specter, Senator Harkin, Senator Byrd and members of the Subcommittee, thank you for this opportunity to testify on behalf of the Appalachian Council and its contract with the Department of Labor. My name is Bobby Baker and I am and have been the the mayor of the city of Batesville, Mississippi for the past three decades.

Mr. Chairman, I will limit my remarks today to my personal knowledge of the Appalachian Council as it relates to the Councils' operations in Batesville.

I am aware that Councils vocational training programs have in the last five years been responsible for any positive recognition that the Batesville Job Corps Center (BJCC) has received. In a publication titled *Trends in Job Corps Program Outcomes PY98-PY02* dated October 2003 and released by Richard Trigg, National Director of the Job Corps in November of 2003, the BJCC was recognized as a "Consistently High Performing Center" in the following three important measurements: Graduate Placement Rate (1 of 5 cited nationally), Placement Rate of Vocational Completers Only (1 of 6 cited nationally) and Former Enrollee Placement Rate (1 of 9 cited nationally). The Council was responsible for training and placing approximately 70 percent of all Batesville students.

—The Appalachian Council was a good partner, not only in Batesville but in the surrounding communities as well.

The Council viewed community service projects as an important tool in preparing their students for the workplace. One hundred hours of community service was an expectation for all students. Students were involved in worthwhile projects such as Habitat for Humanity, Grenada Elderly Apartments, Quitman and Panola County Rehab Housing Project, and the local Food Bank. This involvement provided students the opportunity to interact with the local community in a positive manner.

Other types of community activities included Job Shadowing, Adopt-a-Highway and Career Day. The Council has always realized that student involvement in community activities is an integral part of preparing for the workplace.

The Batesville Boy's and Girl's Club benefited from the efforts of Council trained students as the hardhat trades work on projects to improve and enhance the Club.

I am also aware the Council students have written hundreds of letters to U.S. troops in the Middle East, and have also forwarded "care packages" of items that the troops (e.g., razors, stationary, hard candy, and music cassettes).

It seems to me that the continuation of the Council's involvement in Job Corps in general and at the Batesville Job Corps Center makes good sense, both from the view of government but for the students the Council serves as well.

I thank you, again, Mr. Chairman, for the opportunity to testify, and I look forward to answering your questions.

STATEMENT OF JIM BOWEN, PRESIDENT, WEST VIRGINIA AFL-CIO

Senator SPECTER. Well, thank you very much, Mayor Baker.

We turn now to Mr. Jim Bowen, president of the West Virginia AFL-CIO and a member of the Board of Directors of the Wheeling Pittsburgh Steel Corporation. Mr. Bowen has been with the West Virginia AFL-CIO since 1965 and was inducted into the West Virginia Labor Hall of Fame in 1993.

Thank you for joining us, Mr. Bowen, and we look forward to your testimony.

Mr. BOWEN. Thank you, Chairman Specter, and I want to thank you for this opportunity to testify on behalf of the Appalachian Council and its sole-source contract with the Department of Labor.

The AFL-CIO Appalachian Council, Incorporated is a nonprofit organization pledged to aid disadvantaged persons and to encourage the realization of their full economic and cultural potential through a wide range of human resource development programs.

The Council began as an outgrowth of a meeting of the Appalachian Trade Union Conference held in Charleston, West Virginia in October of 1964. The 12 chief officers of the State AFL-CIO organizations in the area of greater Appalachia, including Alabama, Georgia, Kentucky, Maryland-DC, Mississippi, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia, joined together to form a nonprofit corporation to work toward unearthing and understanding the employment and training of the region, to develop plans for their solutions, and to stimulate and undertake specific projects or action programs for their resolve and/or elimination. Our mission then and today was to help people become productive and self-sufficient members of our society.

The Appalachian Council's national programs have been in continuous operation since 1974 through a series of sole-source, cost reimbursement contracts with the Department of Labor's Employment and Training Administration and the National Office of Job Corps. The programs are evolving continuously in response to the various needs of the entities within the Job Corps community and those changes mandated by the United States Congress, the administration, and the Job Corps Federal managers.

The Appalachian Council has to question whether our sole-source contract has been unfairly targeted, given the fact that this Labor Department, which seems to have a problem with labor unions, also revoked its national contract with the AFL-CIO Working for America Institute.

The Working for America Institute is a nonprofit organization founded by the AFL-CIO to help unions and labor-management partnerships connect to the public workforce system.

For the past 5 years, the National Office of Job Corps, as well as Region II, Philadelphia, officials, has been proactive in their efforts to make it difficult for our staff to do their jobs. They often ignored our pleas for help, and they were very quick to judge and offer only criticism, thus fostering low morale and dissension. As we review the events that have occurred, we see a pattern of behavior from the National Office of Job Corps that substantiates our belief that there was, since the beginning of this current contract, November 1998, a plan in place to intentionally impede the Council's capability to be successful.

The programs are now being taken over by big corporations and they then subcontract out, with very little accountability on performance and placements.

As an example of our actions in West Virginia, I wish to cite the Charleston automotive repair program located in Charleston, West Virginia at the Charleston Job Corps Center that has been operating since November of 2000. The program had performed up to all center expectations. During PY 2001 and PY 2002, the center's vocational manager rated it as the best program on center. One of

the strengths of the program was the large number of students that entered the military service of our country, and as a result of the efforts of our instructors, those students that enlisted in the military were encouraged to pursue military occupations related to their trade. From its first day of operation, this program exceeded all of Job Corps' accountability measures.

I will conclude my testimony by offering the following five points, sir.

Number one, the Council has a long and successful history of dedicated and committed service to Job Corps. We have managed our contractual responsibilities and have interfaced with Government representatives in a straightforward and honest way.

Number two, the National Office of Job Corps did everything in its power to make it difficult for us to fulfill our contractual obligations and to maintain our uniqueness.

Number three, we have never been provided an explanation of the decision not to renew our contract although the Council requested such explanation.

Number four, we have never been informed by the NOJC that our sole-source status has been changed.

PREPARED STATEMENT

And finally, number five, the actual performance for our training programs based on Job Corps established criteria during the most recent program year, PY 2003, compares favorably with other national training contractors for the same period and in most categories exceeds the national average. And, Mr. Chairman, I would refer you to the record. There is a chart in that record that will show you that on seven categories, we are either equal to or exceed the other providers.

Again, let me thank you, Mr. Chairman, for the opportunity to testify here today.

[The statement follows:]

PREPARED STATEMENT OF JIM BOWEN

Chairman Specter, Senator Byrd and members of the Subcommittee, thank you for this opportunity to testify on behalf of the Appalachian Council and its sole-source contract with the Department of Labor.

The AFL-CIO Appalachian Council, Inc. is a nonprofit organization pledged to aid disadvantaged persons and to encourage the realization of their full economic and cultural potential through a wide range of human resource development programs.

The Council began as an outgrowth of a meeting of the Appalachian Trade Union Conference held in Charleston, West Virginia in October 1964. The twelve chief executive officers of the State AFL-CIO organizations in the area of greater Appalachia (Alabama, Georgia, Kentucky, Maryland-DC, Mississippi, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia and West Virginia) joined together to form a nonprofit corporation to work toward unearthing and understanding the employment and training of the region, develop plans for their solution, and to stimulate or undertake specific projects or action programs for their resolve and/or elimination. Our mission is to help people become productive and self-sufficient members of society.

The Appalachian Council's National Programs has been in continuous operation since 1974 through a series of sole-source, cost reimbursement contracts with the Department of Labor's Employment and Training Administration and the National Office of Job Corps. The programs are evolving continuously in response to the various needs of the entities within the Job Corps community and those changes mandated by the U.S. Congress, the Administration, and Job Corps Federal Managers.

The Appalachian Council has to question whether our sole-source contract has been unfairly targeted, given the fact that this Labor Department, which seems to

have a problem with labor unions, also revoked its national contract with the AFL-CIO Working for America Institute.

The Working for America Institute is a non-profit organization founded by the AFL-CIO to help unions and labor-management partnerships connect to the public workforce system.

For the past five years, the National Office of Job Corps as well as Region II (Philadelphia) officials has been proactive in their efforts to make it difficult for our staff to do their jobs. They often ignored our pleas for help, were quick to judgment and offered only criticism, thus fostering low morale and dissension. As we review the events that have occurred, we see a pattern of behavior from the National Office of Job Corps that substantiates our belief that there was, since the beginning of this contract (Nov 98), a plan in place to intentionally impede the Council's capability to be successful.

The programs are being taken over by big corporations and then subcontracted out with very little accountability on performance and placements.

As an example of our actions in West Virginia, I wish to cite the Charleston Automobile Repair program located in Charleston, West Virginia at the Charleston Job Corps Center that has been operating since November of 2000. The program had performed up to all Center expectations. During PY 2001 and PY 2002 the Center's Vocational Manager rated it as the best program on Center. One of the strengths of the program was the large numbers of students that entered military service. As a result of the efforts of our instructor, those students that enlisted into the military were encouraged to pursue military occupations related to their trade. From its first day of operation this program exceeded all of Job Corps' accountability measures.

I will conclude my testimony by offering the following five (5) points:

1. The Council has a long and successful history of dedicated and committed service to Jobs Corps. We have managed our contractual responsibilities and have interfaced with government representatives in a straightforward and honest way.

2. The National office of Job Corps did everything in its power to make it difficult for us to fulfill our contractual obligations and to maintain our uniqueness.

3. We have never been provided an explanation of the decision not to renew our contract although the Council requested such an explanation.

4. We have never been informed by the NOJC that our sole-source status had been changed.

5. The actual performance for our training programs based on Job Corps established criteria during the most recent Program Year (PY 2003) compares favorably with other National Training Contractors for the same period and in most categories exceeds the National Average.

I thank you again, Mr. Chairman, Senator Byrd and the members of the Subcommittee for the opportunity to testify today.

STATEMENT OF GARY DARLINGTON, EXECUTIVE DIRECTOR, APPALACHIAN COUNCIL

Senator SPECTER. Thank you very much, Mr. Bowen.

We now turn to Mr. Gary Darlington, executive director of AFL-CIO Appalachian Council. Prior to his current position, he was a public school administrator and the Regional Director of the Pennsylvania Higher Education Assistance Agency. Mr. Darlington holds a bachelor's degree from Slippery Rock and a Master's Degree from Westminster College.

Thank you for joining us, Mr. Darlington, and the floor is yours.

Mr. DARLINGTON. Thank you, Chairman Specter and members of the subcommittee. Thank you for this opportunity to testify on behalf of the Appalachian Council and its sole-source contract with the Department of Labor.

Given that our contract with the Labor Department was canceled with only 60 days' notice and our organization, after 35-plus years of service to Job Corps, was never provided an opportunity to defend our record of performance, we are especially grateful to you, Mr. Chairman, for this opportunity to respond to the Deputy Assistant Secretary regarding this matter.

With your permission, Mr. Chairman, I hope to submit a more extensive statement for the record and focus my remarks today on three points.

The Appalachian Council has a strong record of success. Despite being forced to operate without adequate resources and equipment, as well as the upheaval of the national Job Corps program caused by the implementation of the Workforce Investment Act in 2000, the Appalachian Council can still point to a strong performance record.

Not only can our job training programs boast generally of placement rates that exceed the national averages, it can be said that several of our training programs individually were recognized as the best in their specific location. Furthermore, the transitional services we provided Job Corps students through our industrial work experience program, IWEP, have garnered the praise of every other national training contractor that has a sole-source contract with Job Corps, as well as Government-operated centers, Department of Agriculture. Both the NTC's and the U.S. Department of Agriculture Forest Service have written to the national Job Corps directors to say that the loss of our program would have a negative impact on the entire Job Corps community.

The Labor Department has treated the Appalachian Council in a disparate and unfair way. The ETA waited many months before notifying the Appalachian Council that our contract would not be renewed, thus providing our organization no opportunity to defend itself or to make changes to our programs to accommodate the Labor Department's concerns. Further, by waiting until late February 2004, February 26, to notify our organization, just 60 days before our contract expired, the Labor Department made it difficult, if not impossible, for our organization to seek the assistance of the Congress in reviewing the fairness of the Labor Department's decision.

Point number three, the complexity of the competitive bidding process makes it difficult for a nonprofit organization like the Appalachian Council to compete on a level playing field. While the department asserts that we can compete in the future for this work, we cannot do so on a level playing field. Our greatest asset, our knowledge of Appalachia, our 35-plus years of commitment to these programs, and the maturity and experience of our staff are not given significant consideration in the current competitive procurement process, and because of our size, we are absent the resources to contend with the unlimited finances of the mega for-profit corporations. Further, not knowing when in the future a contract will be let, we cannot say if our organization will survive long enough to compete.

PREPARED STATEMENT

Mr. Chairman, the Appalachian Council was created to serve the unique needs of the Appalachian region. We understand Appalachia. We understand the needs of workers. With over 30 years of broad experience and with established long-term relationships with unions and employers in the Appalachian region and other regions of the Nation, we can offer services that no other contractor can provide. Historically our organization has operated successfully as

a one-of-a-kind labor-related entity within the Job Corps system. It is imperative that the subcommittee understands that while another contractor may be able to offer cheaper services, they cannot compare to our unique ability to both understand and to service the special needs of Job Corps.

I thank you again, Mr. Chairman, for the opportunity to testify, and I look forward to answering your questions.

[The statement follows:]

PREPARED STATEMENT OF GARY DARLINGTON

Chairman Specter, Senator Harkin, Senator Byrd and members of the Subcommittee, thank you for this opportunity to testify on behalf of the Appalachian Council and its sole-source contract with the Department of Labor.

Given that our contract with the Labor Department was cancelled with only sixty days notice, and our organization after thirty-five plus years of service to Job Corps, was never provided an opportunity to defend our record of performance, we are especially grateful to you, Mr. Chairman, for this opportunity to respond to the Deputy Assistant Secretary regarding this matter.

With your permission, Mr. Chairman, I hope to submit a more extensive statement for the record, and focus my remarks today on three points.

—The Appalachian Council has a strong record of success.

Despite being forced to operate without adequate resources and equipment, as well as the upheaval in the national Job Corps program caused by the implementation of the Workforce Investment Act in 2000, the Appalachian Council can still point to a strong performance record.

Not only can our job training programs boast generally of placement rates that exceed the national averages, it can be said that several of our training programs individually were recognized as the best in their specific location. Furthermore, the transitional services we provided Job Corps students through our Industrial Work Experience Program (IWEP) have garnered the praise of every other National Training Contractor (NTC) that has a sole-source contract with Job Corps as well as government operated centers (Agriculture). Both the NTCs and the USDA Forest Service have written to the National Job Corps Directors to say that the loss of our program would have a negative impact on the entire Job Corps community.

—The Labor Department has treated the Appalachian Council in a disparate and unfair way.

We have only recently learned that in April 2003, the Employment and Training Administration (ETA) recommended to the Department of Labor's Policy Review Board that the Appalachian Council's contract be renewed as a sole-source contract. Again in September we were included in the ETA intent to renew our contract. Apparently, only after the Policy Review Board questioned that request did the ETA decide to revoke the sole-source status of our contract. To this day we have not been told directly by DOL that this was the case.

The ETA waited many months before notifying the Appalachian Council that our contract would not be renewed, thus providing our organization no opportunity to defend itself or to make changes to our programs to accommodate the Labor Department's concerns. Further, by waiting until late-February 2004 (Feb. 26) to notify our organization, just sixty (60) days before our contract expired, the Labor Department made it difficult, if not impossible, for our organization to seek the assistance of the Congress in reviewing the fairness of the Labor Department's decision.

—The complexity of the competitive bidding process makes it difficult for a non-profit organization like the Appalachian Council to compete on a level playing field.

While the Labor Department asserts that we can compete in the future for this work, we cannot do so on a level playing field. Our greatest assets—our knowledge of Appalachia, our thirty-five plus years of commitment to these programs, and the maturity and experience of our staff are not given significant consideration in the current competitive procurement process and because of our size, we are absent the resources to contend with the unlimited finances of the mega for profit contractors. Further, not knowing when in the future a contract will be let, we cannot say if our organization will survive long enough to compete.

Mr. Chairman, the Appalachian Council was created to serve the unique needs of the Appalachian region. We understand Appalachia. We understand the needs of workers. With over thirty years of broad experience and with established long-term relationships with unions and employers in the Appalachian region and other re-

gions of the nation, we can offer services that no other contractor can provide. Historically, our organization has operated successfully as a one of a kind Labor related entity within the Job Corps system. It is imperative that the Subcommittee understands that while another contractor may be able to offer cheaper services, they cannot compare to our unique ability to both understand and to service the special needs of Job Corps.

I thank you, again, Mr. Chairman, for the opportunity to testify, and I look forward to answering your questions.

STATEMENT OF WILLIAM M. GEORGE, PRESIDENT, PENNSYLVANIA AFL-CIO

ACCOMPANIED BY NANCY MILLS, EXECUTIVE DIRECTOR, WORKING FOR AMERICA INSTITUTE

Senator SPECTER. Thank you very much, Mr. Darlington.

Our next witness is Mr. William M. George, president of the Pennsylvania AFL-CIO and chairman of the AFL-CIO Appalachian Council. Prior to his current position, he was the secretary-treasurer of the United Steel Workers Legislative Council of Pennsylvania. Mr. George attended Penn State and the AFL-CIO Institute. For the record, I would comment that I have known Mr. George for many years and have found him to be a very, very reliable leader of his labor movement and a public-spirited citizen.

He is accompanied by Ms. Nancy Mills, who is the Executive Director of the AFL-CIO Working for America Institute. Prior to her current position, she served as Assistant Director of the AFL-CIO Corporate Affairs Department. She is a graduate of Antioch College. She is here to assist in responding to questions.

Thank you for joining us, Mr. George, and we look forward to your testimony.

Mr. GEORGE. Thank you, Senator. It is always been a great interest to be in the house of the Senator from Pennsylvania and to be part of an organization that has this opportunity. We all want to thank you and your staff and the cooperation that you have given us in these findings that we are trying to achieve, as you and I have talked many times about, enhancing the quality of life of many Pennsylvanians and those citizens that live in the Appalachian Council. I want to thank you again on behalf of all of us.

Given that, absent written justification, our contract with the Labor Department was canceled with only a 60-day notice, and our organization, after 35-plus years of service to Job Corps, was never provided an opportunity to defend our record of performance, we are especially grateful to you, Mr. Chairman, for this opportunity to respond to the Deputy Assistant Secretary regarding this matter.

Just before I get into some other statement—you all have copies of this—I just want to make a quick remark that people have to understand the mission objective of the Appalachian Council was generated by the U.S. Senate and the House of Representatives through the Secretary of Labor during the 1960's that created this sole term, the famous term, "war on poverty." This all came out of the ideas of many, many testimonies, how do we correct the war on poverty? And you needed an organization and institution that knew Appalachia, knew about where people lived and how we can go out and recruit those uneducated individuals and do something in States that a lot of people were not paying a lot of attention to

in a lot of counties in western Pennsylvania and a lot of counties in West Virginia.

So I mean, there seems to be in this whole thing, as I look into this program, a thing about competition, pennies here, pennies there, and nobody really looks at the general mission and objective of the war on poverty, enhancing the quality of life.

If in fact, Mr. Chairman, the people that we have dealt with with our sites and our institutions and the people we have provided over the years—we are proud to sit here today. And I want the Department of Labor to understand whether we continue or not, you will never take our dignity. You will never take it away from us what the AFL-CIO Appalachian Council has done for thousands and thousands and thousands of students in enhancing their lives and their quality of life. That has to be in the back of everybody's mind at this particular hearing today.

So I just wanted to get that off my chest before I get into a couple general statements. And I will try and take a minute or 2 off of my general statement.

For the past several years, the national office of Job Corps, as well as Region II officials in Philadelphia, has been proactive in their efforts to make it difficult for our staff in that region to do their jobs. They often ignored Council staff pleas for help, were quick to judgment and offered only criticism, thus fostering low morale and dissension. As we review the events that have occurred, we see a pattern of behavior from the national office of Job Corps that substantiates our belief that there was, since the beginning of this contract, which is November 1998, a plan in place to intentionally impede the Council's capability to be successful.

Council-operated training programs in Pittsburgh functioned without needed equipment for the full 5 years of the contract purportedly due to the lack of funds. While we begged for new equipment for our programs, the region had no difficulty in finding equipment monies for the Pittsburgh Job Corps Center. It is kind of funny how this takes place. They kick us out. Now suddenly the money appears, et cetera.

In February 2002, a strong performing program, transportation, was cut in half for alleged poor performance, although it had recently at that time received an award from the center for outstanding performance, and immediately the material handling component of the program was coopted by the center operator. The center not only maintained the program with regional office approval, as was earlier testified by the Department of Labor. The success of it was because they hired our people. They hired our instructors once they eliminated them, and then they went and found the funds to buy a full complement of new equipment.

Can somebody tell me? Does this sound like there is a little bit of conspiracy here or something?

Late in February 2003, we were instructed to terminate our entire center-based management and administrative staff in both Pittsburgh, as well as Batesville, as you have heard from the previous testimony of the Mayor, by March 31, 2003. These cuts effectively eliminated our occupational exploration program and our ability to provide enhanced job development and post-placement follow-up with our students.

Immediately following the program cuts, discussions took place with the national office regarding the future of the programs in light of the cuts. These discussions were positive. We were offered assurance that we did have a future and that there would be other opportunities for the Council within Job Corps.

At the end of that very same day, we were informed that we were to close out our transportation program at Pittsburgh and that the instructor should wrap up his business by the end of March 2003. No reason for the closure was provided. Talk about a morale-buster. You got it. Through this particular incident and others like it, the students the real victims. It was not so many of us. The real victims were the students as, more often than not, decisions were not made for their benefit.

Not only can our job training programs boast generally of placement rates that exceed the national average—and by the way, they mentioned some numbers. In our general statement to you this morning, Mr. Chairman, there is quite a number of pages with our facts and figures that came from the Department of Labor over the years about performance, about graduations, about awards that the Appalachian Council has received over the years.

Furthermore, the transitional services we provided Job Corps students through our industrial work experience program, which is called the workforce investment boards, have garnered the praise of every national training contractor that has a sole-source contract with Job Corps, as well as Government-operated centers. Both the NTC's and the USDA Forest Service have written to the national Job Corps directors to say that the loss of our program would have a negative impact on the entire Job Corps community.

Mr. Chairman, I would also question whether our sole-source contract has been unfairly targeted, given the fact that this Labor Department, which seems to have a serious problem with labor unions, also revoked the national contract with the AFL-CIO Working for America Institute after 35 years of service, which many of those programs, this Senator from Pennsylvania was very proud to be supportive of.

As it was with the Appalachian Council, I can only wonder whether there is some concerted effort at the Department of Labor to terminate all partnerships with labor unions and the organizations established to connect labor unions and the Department of Labor.

PREPARED STATEMENT

It is from this point on where we would like to make some comments in reference to the national AFL-CIO program, and Mr. Senator, we would ask that Nancy Mills be given a minute or 2 either at this time or at the conclusion of the testimony here, to just kind of form what has happened with the national AFL-CIO's Working for America Institute.

[The statement follows:]

PREPARED STATEMENT OF WILLIAM M. GEORGE

Chairman Specter, Senator Harkin, Senator Byrd and members of the Subcommittee, thank you for this opportunity to testify on behalf of the Appalachian Council and its contract with the Department of Labor.

Given that, absent written justification, our contract with the Labor Department was cancelled with only sixty days notice, and our organization after thirty-five plus years of service to Job Corps, was never provided an opportunity to defend our record of performance, we are especially grateful to you, Mr. Chairman, for this opportunity to respond to the Deputy Assistant Secretary regarding this matter.

For the past several years the National Office of Job Corps as well as Region II (Philadelphia) officials have been proactive in their efforts to make it difficult for our staff in that Region to do their jobs. They often ignored Council staff pleas for help, were quick to judgment and offered only criticism, thus fostering low morale and dissension. As we review the events that have occurred, we see a pattern of behavior from the National Office of Job Corps that substantiates our belief that there was, since the beginning of this contract (Nov 98), a plan in place to intentionally impede the Council's capability to be successful.

Council operated training programs in Pittsburgh functioned without needed equipment for the full five years of the contract purportedly due to lack of funds. While we begged for new equipment for our programs the Region had no difficulty in finding equipment monies for the Pittsburgh Job Corp Center (PJCC). In February 2002, a strong performing program, Transportation, was cut in half for poor performance (although it had recently received an award from the Center for outstanding performance) and immediately the Material Handling component of the program was co-opted by the Center operator. The Center not only maintained the program with Regional Office approval, it hired our instructor and found the funds to buy a full compliment of new equipment.

Late in February 2003 we were instructed to terminate our entire center based management and administrative staff in both Pittsburgh as well as Batesville by March 31, 2003. These cuts effectively eliminated our Occupational Exploration Program and our ability to provide enhanced job development and post-placement follow-up with our students.

Immediately following the program cuts discussions took place with the National Office regarding the future of the programs in light of the cuts. Those discussions were positive. We were offered assurances that we did have a future and that there would be other opportunities for the Council within Job Corps. At the end of that very same day we were informed that we were to close our Transportation program at Pittsburgh and that the instructor should wrap up his business by the end of March 2003. No reasons for the closure were provided. Talk about a morale buster. Through this particular incident and others like it, the students were the real victims, as more often than not decisions were not made for their benefit.

Not only can our job training programs boast generally of placement rates that exceed the national averages, it can be said that several of our training programs individually were recognized as the best in the respective Center and/or Region. Furthermore, the transitional services we provided Job Corps students through our Industrial Work Experience Program (IWEP) have garnered the praise of every other National Training Contractor (NTC) that has a sole-source contract with Job Corps as well as government operated centers (Agriculture). Both the NTCs and the USDA Forest Service have written to the National Job Corps Directors to say that the loss of our program would have a negative impact on the entire Job Corps community.

Mr. Chairman, I would also question whether our sole-source contract has been unfairly targeted, given the fact that this Labor Department, which seems to have a serious problem with labor unions, also revoked its national contract with the AFL-CIO Working for America Institute after some thirty five years of service.

As it was with the Council, I can only wonder whether there is some concerted effort at the Department of Labor to terminate all partnerships with labor unions and the organizations established to connect labor unions to DOL programs. In another action, one totally at the Secretary's discretion, we learned in June that the Department's Employment and Training Administration (ETA) had decided not to renew a grant given to the AFL-CIO Working for America Institute. This decision would terminate over 35 years of continuous support for the Institute—through Democratic and Republican administrations alike—to assure a voice for workers in the public workforce system.

Senator Specter, I know that you are aware of the work done by the Institute, and its predecessor organization (HRDI). You have seen the work they do in supporting both joint labor management high road training partnerships, in helping programs that serve dislocated workers and in training the legislatively called for labor representatives who serve on the country's Workforce Investment Boards. Pennsylvania was proud to co-host the 2002 Working for America National Conference and we were proud that you agreed to serve as a keynote speaker at that conference.

Other federal agencies—the Department of Commerce, the Small Business Administration, and others—spend millions of dollars providing assistance to the nation's employers in connecting with federal government programs. The fact that the Department of Labor is choosing not to maintain an investment in connecting labor to the programs it is charged with administering is out of line with this government practice.

These cuts have led to even greater investments in the Institute by the AFL-CIO itself (the Institute is a non-partisan 501(c)(3) non-profit organization) and by foundations but some of its historic objectives are most appropriately funded through the Department of Labor.

Over the last three years, the Institute has already seen two of its programs defunded. The first of these cuts was to their work assisting unions in providing dislocated worker services—a cut made at a time of record dislocation in our economy. That cut was followed by the termination of their program to help establish labor-management partnerships in key industry sectors—a program which had been helping unions and employers in the Southwest corner of our state join with their counterparts in Ohio and West Virginia to address the needs of manufacturing critical to the Ohio River Valley.

The remaining grant from DOL supported a program of training and technical assistance to the network of more than 1,300 labor representatives who serve on the nation's state and local Workforce Investment Boards (WIBs). It is this work that the Department has now decided it will no longer support. Pennsylvania had participated vigorously in this program and if the decision is not reversed, the labor representatives serving as the voice of workers in the public workforce system will no longer have the assistance of the Institute in helping them become more effective members of their boards.

I applaud the work that you have done to support labor as the statutory voice of all workers in the public workforce system, and I hope that those efforts will result in a reversal of the unprecedented decision by the Department to terminate its funding of the Institute.

We believe that there is substantial evidence Mr. Chairman for continuation of both of these valuable programs and we ask for your support in ensuring a continued role for both the Working for America Institute and the Appalachian Council with the Department of Labor.

I thank you, again, Mr. Chairman, for the opportunity to testify, and I look forward to answering your questions.

Senator SPECTER. Mr. George, we would be pleased to hear that now.

Mr. GEORGE. It is my pleasure to introduce to you now Nancy Mills who is the Director and part of the program that was part of the HRDI that was shifted over to this new program which has been really, really held by many Governors and their departments of labor.

My relationship is because in our State, Governor, it was because of your efforts. If you remember, when they created the workforce investment boards, there was a question whether these local communities and counties and regions that create these boards should have a right to have labor unions or labor representatives. It was because of your efforts and others that we inserted that the boards should have a makeup of labor voices mandated by law. And so this institution was very, very generous in providing to us, Working for America Institute, the AFL-CIO, and educating our members. I am proud to say, Senator, you have in the State of Pennsylvania, because of the AFL-CIO program, qualified people sitting on workforce investment boards there more than any other State in America.

So it is my pleasure to introduce to you Nancy Mills.

Senator SPECTER. Ms. Mills, thank you for joining us and you may proceed.

SUMMARY STATEMENT OF NANCY MILLS

Ms. MILLS. Thank you so much, Mr. Chairman, and thank you, President George, for your willingness to share the podium here this morning.

As I said, thank you so much for your invitation to testify before you this morning about the Department of Labor's decision not to renew its grant with the AFL-CIO Working for America Institute.

You have already heard some, and I know you will hear some more, about the Department's decision not to renew the grant with the Appalachian Council, but in another action, one totally at the Secretary's individual discretion, the Institute learned in June that the Department's Employment and Training Administration had decided not to renew a grant given to the AFL-CIO Working for America Institute. This decision would terminate over 35 years of continuous support for the Institute, through Democratic and Republican administrations alike, to assure a voice for workers in the public workforce development system.

Senator Specter, I know that you are aware of the work done by the Institute and its predecessor organization, HRDI. You have seen the work we do in supporting both joint labor management high road training programs like the 1199 health care training program in Philadelphia, in helping programs that serve dislocated workers, and in training the legislatively called-for labor representatives who serve on the country's workforce investment boards. The Pennsylvania AFL-CIO and the Philadelphia Central Labor Council co-hosted our 2002 national conference and we were very pleased that you agreed to serve as the keynote speaker at that conference.

Other Federal agencies, the Department of Commerce, the Small Business Administration, and others, spend millions of dollars providing assistance to the Nation's employers to connect with Federal Government programs. The fact that the Department of Labor is choosing not to maintain an investment in connecting labor to the programs it is charged with administering is simply out of line with this and established Government practice.

These cuts by the Department have led to even greater investments in the institute by the AFL-CIO and by foundations. The institute, by the way, is a nonpartisan 501(c)(3) nonprofit organization, but some of its historic objectives are most appropriately funded by the U.S. Department of Labor.

Over the last 3 years, the Institute has already seen two of our DOL supported programs defunded. The first of these cuts was to our work assisting unions in providing dislocated worker services, a cut made at a time of record dislocation in our economy.

That cut was followed by the termination of our program to help establish labor-management partnerships in key industry sectors, like the regional skills alliances that you were so instrumental in promoting, a program which had been helping unions and employers in the southwest corner of Pennsylvania join with the counterparts in Ohio and West Virginia to address the needs of manufacturing critical to the Ohio River Valley. We had to terminate that program as a result of the cut in DOL funding.

The one remaining grant from the Department of Labor supported a program of training and technical assistance to the network of more than 1,300 labor representatives who serve on the Nation's State and local workforce investment boards. It is this work that the Department has now decided it will no longer support. Pennsylvania and many other States had participated vigorously in this program and if the decision is not reversed, the labor representatives serving as the voice of workers in the public workforce system will no longer have the assistance of the Institute in helping them become more effective members of their boards.

I applaud the work that you have done to support labor as the statutory voice of all workers in the public workforce system, and I hope that those efforts will result in a reversal of the unprecedented decision by the Department to terminate its funding of the Institute.

Thank you again for this opportunity to speak.

STATEMENT OF HERBERT MABRY, CHAIRMAN EMERITUS, APPALACHIAN COUNCIL

ACCOMPANIED BY WILLIAM BURGA, PRESIDENT, OHIO AFL-CIO

Senator SPECTER. Thank you, Ms. Mills, for your testimony.

Our next witness is Mr. Herbert Mabry, Chairman Emeritus of the Appalachian Council and president emeritus of the Georgia AFL-CIO. He began his union career in 1950 as a member of the Carpenters Local 225 in Atlanta. Mr. Mabry is accompanied by Mr. William Burga, president of the Ohio AFL-CIO. Prior to his current position, Mr. Burga was subdistrict director of the United Steel Workers of America in Canton.

Thank you for joining us, gentlemen, and we look forward to your testimony, Mr. Mabry.

Mr. MABRY. Thank you very much. My name is Herb Mabry and I am past president of the Georgia AFL-CIO for 30 years and a member of the Appalachian Council Board practically from the inception of it and have been involved in the programs.

It was in 1977 that the Council's highly successful national program IWEP, the industrial work experience program, was developed based on an early assessment of weaknesses in the Job Corps program. Recognizing that students could be successful through the course of their training program yet fail in their first few months on the job became the basis of the new program.

Mr. Chairman, I would like to also inject in there, at that time, I was serving on the Board of Directors of the Martin Luther King Center for Social Change, and as such, I went to them and explained what we were trying to do and enlisted their help with our program because back then, it was not very popular to see. And my testimony will show you that for a white man to be escorting young men and women that were coming into Atlanta into certain areas of our city, to try to place them in meaningful employment.

But it was in that year that the concept of the national support network for students was first considered and thus resulted in a meeting between the Council and representatives of the Department of Labor. The meeting took place in Jekyll Island, Georgia, and as a board member of the Council, I became part of and was integral to those discussions that we had.

As a result of that meeting, the concept and need of Job Corps offering enhanced and individualized, one-on-one support to students, particularly with those students trained by other national training contractors, became a reality. Over the years, home-based, 24/7, hands-on staff developed good-paying, sustainable jobs, recruited students to fill those jobs, found housing and affordable transportation, and served as mentors and/or surrogate parents for the 90-day period. Everyone connected with the program, including board members lent a helping hand.

I can recall after going through this. I was talking to Mr. Darlington. I can recall on a Saturday morning when the students were sent into Atlanta where we could find them housing. We had housing for them. And I can recall them coming into Atlanta on Saturday morning, and I would get up and take my pickup truck and I would go to the Greyhound bus station in Atlanta and pick those students up. And we would have cars to follow with the students. We would load it down with their belongings. Everything those young men and women owned was there coming with them. And a little humor: we looked like the Clampetts going down the road when we left that bus station with all of their baggage put on the truck.

Mr. MABRY. But we found homes for them and we took them there and put them in.

This service became recognized throughout Job Corps and today experienced staffers in Job Corps now refer to this type of post center support as the traditional IWEP. Everyone was talking about the role that IWEP had played in finding places for them and what they were referring to.

Job Corps is to this day, trying to emulate IWEP's role. However, the effort to mirror IWEP's style of transition services has proven difficult for them. This is true for several reasons. CTS providers, like other entities, are limited by their historical paradigms as to what the work really is. Additionally, CTS staff folks are heavily burdened by issues of accountability and regulations and have little time for the direct, hands-on, 24/7 support the IWEP staff provided, nor can they establish the depth of relationships that IWEP had developed over many years with the unions, employers, as well as city and State governments.

Mr. Chairman, just like every other group of people, those young men and women would come into the city and occasionally we would have one to get in trouble driving or whatever. It might be drinking and driving, whatever. I went to the courthouse and represented those people. I am not an attorney but I represented them with the judges. I served as chairman of the Fulton County Personnel Board. They all knew me, what I did for a living. And I would go represent those young men and women and get them to where they could go back to work the next day. And we were very successful and able to do that.

Mr. Chairman, I can personally attest to the quality of the service that was provided out of the Atlanta region, and I had personal relationships with many of those folks over the years. And the dedication and commitment to the students they served was undeniable.

PREPARED STATEMENT

Furthermore, I am aware that in January 2003, the Atlanta Regional Director made a surprise visit to the office in Decatur, Georgia at the behest of the national office of Job Corps and met with the staff. Later he announced at a regional meeting—and this is very, very important, Mr. Chairman. He announced at a regional meeting that the Council had the best CTS operation he had ever seen, and he praised the staff he met with and forwarded a very positive report to the national office. This is a strong statement, Mr. Chairman, to continue this valuable program and to continue a role for the Council in Job Corps.

Mr. Chairman, I thank you for the opportunity of being here today.

[The statement follows:]

PREPARED STATEMENT OF HERBERT MABRY

Chairman Specter, Senator Harkin, Senator Byrd and members of the Subcommittee, thank you for this opportunity to testify on behalf of the Appalachian Council and its contract with the Department of Labor.

It was in 1977 that the Council's highly successful national program, IWEP (Industrial Work Experience Program), was developed based on early assessments of weaknesses in the Job Corps program. Recognizing that students could be successful throughout the course of their training program yet fail in their first few months on a job became the basis for the new program.

It was in that year the concept of a national support network for students was first considered and thus resulted in a meeting between the Council and representatives of the Department of Labor. That meeting took place in Jekyll Island, Georgia and, as a Board member of the Council, I became part of and was integral to those discussions.

As a result of that meeting the concept and need of Job Corps offering enhanced and individualized one on one transitional support to students particularly with those students trained by the other National Training Contractors became a reality. Over the years, home based 24/7 hands-on staff developed good paying sustainable jobs, recruited students to fill those jobs, found housing and affordable transportation and served as mentors and/or surrogate parents for a ninety day period. Everyone connected with the program including Council Board members lent a helping hand. I can recall on more than one occasion moving students' possessions on a Saturday morning in my pick-up truck.

This service became recognized throughout Job Corps and today experienced staff in Job Corps now refer to this type of post center support as the traditional IWEP role.

Job Corps is, to this day, trying to emulate IWEP's role. However, the effort to mirror IWEP's style of transition services is proving difficult. This is true for several reasons. CTS providers like other entities are limited by their historical paradigms as to what the work really is. Additionally, CTS staff folks are heavily burdened by issues of accountability and regulation and have little time for the direct, hands on, 24/7 support that IWEP staff provided nor can they establish the depth of relationships that IWEP had developed over many years with unions, employers as well as city and state governments.

Mr. Chairman, I can personally attest to the quality of the services that were provided out of the Atlanta Region. I had personal relationships with many of those folks over the years and the dedication and commitment to the students they served was undeniable. Furthermore I am aware that in January 2003 the Atlanta Regional Director made a surprise visit to our office in Decatur at the behest of the National Office of Job Corps and met with staff. Later he announced at a Regional meeting that the Council had the best CTS operation he had ever seen. He praised the staff he met with and forwarded a very positive report to the National Office.

This is a strong testament Mr. Chairman for continuation of this valuable program and to the need to continue a role for the Council in Job Corps.

I thank you, again, Mr. Chairman, for the opportunity to testify, and I look forward to answering your questions.

Senator SPECTER. Thank you very much, Mr. Mabry.

Mr. Burga, would you care to supplement the comments in any way?

SUMMARY STATEMENT OF WILLIAM BURGA

Mr. BURGA. Yes, Mr. Chairman, just briefly.

I was hoping Senator DeWine would be here so I could talk with him.

Mr. Chairman, there is clearly something going on at the Department of Labor in their denial of funding of both these organizations. We in Ohio are concerned in both respects.

We also had an opportunity to talk with the Department of Labor about another problem as it relates to the AFL-CIO and labor unions, and that was the Labor-Management Reporting and Disclosure Act where they want to change the LM2 requirements. The evidence that you hear today and my sitting in the back of the room and listening, I think there is clear evidence that this Department of Labor is on a mission as regards the AFL-CIO in particular and any relationship that we might have or that might be held by other groups with the AFL-CIO.

So I certainly respect the hearing that you are holding today and perhaps you can do your influence of having this Department of Labor reconsider these fundings because they are very much needed, as the record will show.

Thank you very much.

Senator SPECTER. Well, thank you, Mr. Burga.

This is an especially busy day in the Senate because we are about to embark upon the August recess to give us an opportunity to attend the national conventions and also to come back to our home States and visit with our constituents. So it is a very busy day.

But I will tell Senator DeWine what you said. I know he will be very concerned about it and will follow up.

Mr. BURGA. Thank you.

Senator SPECTER. Mr. George, let me begin the questioning with you. I would be interested in your amplifying the comment you made that funds were unavailable to improve the facilities when the Appalachian Council was running, for example, the Pittsburgh Job Corps, but when the shift was made, that additional funds were available. I would like to know a little more about that.

Mr. GEORGE. It is a program that was originated and started by Appalachian Council and had been there for a couple of years. The specific generics of that I would like to have Gary just maybe make a comment how that was shifted and the reason given to us when they did it, which I understand was no reason.

Mr. DARLINGTON. Senator, the transportation training program was a dual component program consisting basically of training students to have commercial driver's licenses and also do material handling, which is warehousing work. The program with the Appalachian Council was functioning. It was probably the top functioning program in terms of statistics during that time. However, it was subsequently cut in half. The material handling part of the program was shifted to the center operator.

We had been asking for additional equipment to run that program. We could not get it. However, when we were no longer part of that material handling program, the equipment was available.

Senator SPECTER. Thank you very much, Mr. Darlington.

Mr. George, you made a comment which was pretty much the same as what Mr. Burga said, that there appears to be some direction by the Department of Labor against AFL-CIO. I would be very interested in both of you gentlemen amplifying what you have seen there and what you think may be the causes of it.

Mr. GEORGE. Well, I mean, it is obvious—and I think maybe Jim Bowen may have a comment too—at least from my State of Pennsylvania in the last 3 years—at least for the last 2 years. It has been 3 years. 2 years since I have felt it personally. It is not only the LM3 form reporting, which is a burdensome process on local unions, which are 2,600 local unions in the State of Pennsylvania. They report by government entities on a biannual year on their audits and their stuff that takes place to the Department of Labor under the NLRB and stuff that is taking place. It got streamlined. That was satisfied for many, many years during Republican and Democratic administrations with a lot of information that any malfeasance was in those reports where by investigation was easily picked up.

The Department has decided to try to invoke—I guess it is on hold here or we are going see it—I do not know if it is going to go or not. But during the election, it seems it got quiet, but up until the spring, you and several other Senators was inquiring why was this being done to the point there would be 43 pages of reporting from the time that you would walk to the bathroom, to have to mention the cost of the toilet paper that was put into the men's room, and a number of meaningless, meticulous time that would have to be spent. And an accounting firm had predicted that every local union with over 100 members would be required to have an accountant go over this tremendous amount of questioning that would take place that would have to be filled out. So that was one occasion that we have seen.

The second occasion, of course, is what you have heard here, the two great institutions that has been here over 35 years just, at least in our opinion for no justifiable reasons, being wiped out.

The other, Senator, is one that you were caught up in, as you and I were aware. Unfortunately, for the State of Pennsylvania, we were probably hit as hard as anybody with the unbalance of trade and the incoming of trade into the State of Pennsylvania. In the last 3 years, we have lost 200,000 jobs. Of course, a lot of that was giving training monies, TAA and TRA money that came out of the Department of Labor, because of the Department of Labor certifying industries that were impacted by trade automatically entitled people to be able to get those training monies. Unfortunately, because of no reason and everybody running around for the first 3 months of 2001, we were delayed \$20 million. A cost of over 250 participants in the TRA and TAA program were immediately denied in any programs that could take place. So we had no initiative programs from January, February, March, and April of that year that people could get into the programs.

We have never had that since the inception in the 1980's of TAA and TRA. It just makes you wonder, when you have those kind of things impacting you in your particular State, why was this taking place. It did not happen in any other State to my understanding. In fact, it is my understanding that four other States who had not used their money up in mid-year is when the Department of Labor went and took the money out of those States and put it into Pennsylvania. At least there is a letter out by the U.S. Department of Labor saying that they would allocate the money.

You were very much involved in it because it was a tidal wave to all of the members of the general Congress here that their constituency were being denied continuing education programs.

So that is some of the reasons why we feel that there seems to be a prejudice, an initiative by this Secretary of Labor to look at an institution that has been a standing institution in this Nation and has been part of the rebuilding of this country not only by labor unions, but in the community standing up in order to make greater training programs and enhancing the quality of life for all Americans.

By the way, all of our institutions are nonprofit. There is no money-makers here. We do not have shareholders. We do not have stockholders like a couple of other people that play in these programs do.

Mr. Burga?

Senator SPECTER. Mr. Burga, would you care to respond?

Mr. BURGA. I would just like to say a couple of things, Mr. Chairman.

Two big elements that we see showing this problem is a lack of communication prior to their decision-making. I think the record shows it here and it shows it on the Appalachian Council and also the Working for America Institute. You would have to check with them, though, as to why they do the things they do. I cannot give you any factual reason. But talking with the AFL-CIO officers, they do not get notice about what the Department of Labor intends to do until after the Department of Labor decides to do it. Neither did the Appalachian Council. They do not even respond to you, Mr. Chairman, when you send them letters. I do not know why they are acting this way. But the record is clear the way they are acting, and it is not conducive for good relationships. It is not conducive for the American workers. So other than that, I cannot respond.

Senator SPECTER. Thank you.

Mr. MABRY. Mr. Chairman?

Senator SPECTER. Mr. Mabry, let me give you a question and then you can make a comment.

In evaluating these programs in Georgia—and I will come to Mayor Baker in Mississippi—the question comes to my mind as to whether there is not a very heavy participation by minorities looking for the job training, and then the issue of starting salary is likely to be lower than might be expected if you are not dealing with minorities in depressed areas. I would like you, Mr. Mabry, and then you, Mayor Baker, to comment on a couple of States in the deep South as to whether that in fact is not true.

Mr. MABRY. Well, thank you, Mr. Chairman. It is true because the Appalachian Council is made up, as you well know, of North/

South Carolina and then Georgia, Alabama, Mississippi, Tennessee, and they are right to work States. Then when we go in and try to place these young men and women in these places, the first reaction from the employer in a lot of cases is that we are sending in people to try to organize their employees.

Senator SPECTER. So in a right to work State, it makes it even more difficult.

Mr. MABRY. It makes it more difficult.

Senator SPECTER. That is a phenomenon of some of the States, but not in others where these statistics would be.

How about it, Mayor Baker? Do you find the same situation?

Mr. BAKER. Senator, I am probably not qualified on that point to answer your question, sir. I will tell you, as I stated earlier, the Appalachian Council has been involved since this center in Batesville, Mississippi opened in 1981. From all we have ever been told by the Department of Labor and others was the Appalachian Council was doing a great job in training and placement.

Senator SPECTER. Mr. Bowen, I was impressed by your testimony generally, but when you used the language of a plan to intentionally impede the Council's capacity to be successful, I would like you to expand upon that, if you could.

Mr. BOWEN. Yes, sir. As explained by my good friend, Bill George, and Bill Burga, some of the incidents that caused me to form that kind of an opinion, I think the testimony heard prior to our group providing testimony in respect to the inability and the failure to contact our people in respect to areas that may be deficient, even though I certainly question because, Senator, the chart I referred you to that is in the record is from the numbers from the Department of Labor, not our numbers. We did not create them.

The incidents referred to by Brother George in respect to the LM3, in respect to our program, in respect to the AFL-CIO Institute for America—the workforce investment part is fantastic. In our State we are certainly minorities on those committees in number, but we are very strong because of the education that was provided for the labor members of WIA. And we are dramatically having major problems in the TAA arena because we do not have the funds for our training.

And all this causes me to be very suspicious of the actions of the Department of Labor in this particular matter, and that is why I made that statement, sir.

Senator SPECTER. Thank you, Mr. Bowen.

Senator Byrd could not be here this morning. He sent word that his wife is ill, and that he asked that his statement be included in the record which will, without objection, be made a part of the record.

[The statement follows:]

PREPARED STATEMENT OF SENATOR ROBERT C. BYRD

Thank you, Mr. Chairman, for holding this hearing. I think it's important that the Labor Department publicly explain its decision to cancel the Appalachian Council's contract, and I doubt such an explanation would ever have been made had it not been for your interest in the matter.

The Labor Department notified the Appalachian Council on February 26, 2004, that its contract would terminate on April 30—giving the Appalachian Council only 60 days notice.

In reading that letter, I am reminded of life in the old coal company towns of Southern West Virginia, when the coal company owned everything, even the homes in which the miners lived. I remember the letters miners would receive terminating their employment. David Corbin's book *Life, Work, and Rebellion in the Coal Fields* cites an excellent example of a coal company terminating a miner's job.

I quote from a letter dated November 26, 1923. It reads: "This is to notify you that we will not be in need of your services any longer after this date. You are further notified to surrender the possession of the house you now live in on or before January 1, 1924."

That's how I read the Labor Department's termination letter to the Appalachian Council. After thirty years of service, the Labor Department provides sixty days notice that the Appalachian Council's services are no longer needed and orders them to vacate the premises.

In March, I wrote a letter to the Labor Secretary asking her to reconsider her decision. I didn't receive a response until April 28—two days before the Appalachian Council's contract was set to expire, and even then it was a response that said nothing.

Given the manner in which this contract was terminated—the lack of notice given to the Appalachian Council, the delay in responding to Senators' inquiries until the last possible moment—it's no wonder the Appalachian Council feels as though it has been unfairly targeted by the Labor Department. At the very least, the manner in which this contract was canceled was done in a way to keep the Congress at arms length, and that bothers this Senator a great deal.

Thank you again, Mr. Chairman, for reminding the Labor Department that their decisions are not exempt from Congressional oversight.

Senator SPECTER. He focuses on the importance of the hearing and calls for an explanation of the decision to cancel the Appalachian Council's contract. He says, "I doubt such an explanation would ever have been made had it not been for your interest in the matter."

I want to include also a copy of Senator Byrd's letter to Secretary Chao dated March 19, 2004.

[The letter follows:]

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
Washington, DC, March 19, 2004.

Hon. ELAINE L. CHAO,
Secretary, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington,
DC.

DEAR SECRETARY CHAO: I am concerned about the Labor Department's recent decision to not renew or extend its sole source contract with the Appalachian Council-AFL/CIO, following the expiration of its current contract on April 30, 2004.

The Appalachian Council's National Programs have been in continuous operation since 1974 and can boast of an impressive performance record. This unique program has served over 100,000 Job Corps students since 1974. I am particularly proud of the Appalachian Council's Auto Mechanics program at the Charleston Job Corps Center that has been recognized as one of the top trades at that Center. Furthermore, the Appalachian Council's Industrial Work Experience Program has received Job Corps' highest ratings.

For thirty years, the Labor Department has contracted with the Appalachian Council, and, for thirty years, the Appalachian Council has had an exemplary performance and accountability record.

I strongly urge you to reconsider your decision to cancel the Appalachian Council's contract, and I thank you in advance for your personal attention to this matter.

With kind regards, I am
Sincerely yours,

ROBERT C. BYRD.

Senator SPECTER. Ms. Mills, your testimony about the Working for America Institute I think is very important. As you noted, I keynoted that event and have attended many events. One was es-

pecially prominent that I went to with Henry Nicholas in Philadelphia on District 1199(C) of the National Union of Hospital and Healthy Care Workers of AFSME, a very impressive program where 61 major health care employers placing graduates in higher skilled jobs in which there is great demand.

There were a great many nurses there that day. I was especially struck by it because I chaired the Veterans Affairs Committee and the veterans hospitals, as our hospitals generally in America, have a very short supply of nurses, being required to work overtime to care for the elderly in very, very difficult circumstances.

I note the headline in today's business section of the Post about Chairman Greenspan saying that wages are down because people are not skilled. I speak frequently at high schools and develop the approach of the importance of developing skills and tell the young people there are great opportunities if you are skillful and analogize America to Noah Webster's example. The world is like a pyramid. There is a lot of room at the top and it is very crowded at the bottom. I know, having had a large staff in the Philadelphia District Attorney's Office and as a U.S. Senator, we are always searching for people with skills.

So I am very much concerned about what is happening. We are going to be pursuing this matter. We are going to be putting the questions to the Department of Labor as to what is happening here.

We are starting three votes right now at 11 o'clock. One of the difficulties of scheduling matters in the Senate is that the votes take precedence over everything else. No matter where you are, if you are meeting with the President and the bell rings for a vote, that is our principal occupation, is voting.

But I think this has been a very informative session, and I am going to call upon Secretary Chao to review this decision. We have yet to fund the Department for next year, and there is always a certain amount of persuasion that comes from the purse strings on the Appropriations Committee. I chair this subcommittee. It is a very important subcommittee on capital assets where education and health are major capital assets and the workforce is a gigantic capital asset.

As I noted earlier, Senator Stevens rotates off of this committee's chairmanship at the end of this year. There are term limits. And Senator Cochran will then become chairman. I am going to tell him about your testimony, Mayor Baker. I know he would have wanted to have been here. And then I am in line to be chairman of the full committee thereafter, and the insights that I have had serving as the subcommittee chairman are very, very valuable.

ADDITIONAL COMMITTEE QUESTIONS

Senator SPECTER. There will be some additional questions which will be submitted for your response in the record.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

NOTICE OF CANCELLATION OF APPALACHIAN COUNCIL'S CONTRACT

Question. The Appalachian Council's contract was canceled with only 60 days notice. How much notice is typically given before canceling a sole-source contract?

Answer. There are no minimum requirements related to advance notice in the Federal Acquisition Regulations (FAR). The Appalachian Council was provided with written notification of the non-renewal action 64 days prior to the close of the contract on April 30, 2004.

The Appalachian Council has had long-standing performance issues, and the organization was aware of the Department of Labor's concerns with its performance. Under the circumstances, we believe that providing 60+ days notice was appropriate.

DATE OF DECISION TO CANCEL APPALACHIAN COUNCIL'S CONTRACT

Question. The letter alerting the Appalachian Council that its contract had been canceled was sent on February 26, 2004. When did the Employment and Training Administration make the decision to cancel the Appalachian Council's contract?

Answer. In the Fall of 2003, the Department of Labor extended the Appalachian Council contract from November 1 through December 31, while a decision regarding contract renewal was being made. The final decision was reached in January 2004, and the Council was notified via letter the following month.

NOTIFICATION TO APPALACHIAN COUNCIL REGARDING SOLE-SOURCE STATUS

Question. According to the time line you provided my office, the sole-source status of the contract was being questioned as far back as June 2003. Why was the Appalachian Council not notified before February 26th that its sole-source status was in danger?

Answer. A final decision was not reached until January 2004. However, the Appalachian Council experienced performance problems throughout the period of the contract, which began on 11/1/98 and ended on 4/30/04. For example, five vocational programs run by the Council were closed by the end of Program Year 2002. The closings, as well as other sanctions imposed on Council programs, were preceded by extensive discussions and/or correspondence between Council officials and Department of Labor National and Regional Office staff.

CONCLUSION OF HEARING

Senator SPECTER. Thank you all very much for being here. That concludes our hearing.

[Whereupon, at 11:02 a.m., Thursday, July 22, the hearing was concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]